COMMENTS ON THE EXPOSURE DRAFTS OF IVS 101, 102, 103, 104, 105, 200, 210 AND INTRODUCTION AND FRAMEWORK (IVS 104, 105, 210 and Framework DUE ON JULY 7, 2016)

A – Questions for respondents

(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?

Answer: Yes, we agree. The reason is to avoid misinterpretation of the mandatory nature of standards.

(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?

Answer: Yes, we agree. Bases of values are an important set of concepts that affect all the types of valuations.

(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?

Answer: Yes, we agree. Valuation Approaches are an important set of concepts that affect all the types of valuations and repetition should be avoided in the full text of the standards.

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

Answer: Yes, we agree, but suggest paragraph 60.2 to be amended with the expression “conceptually compatible with IVS”, once local legislation may force behavior of the market and restrict the functioning of an open market or the process of development of local standards may restrict participation of stakeholders.

B – Comments on the sections

B.1 - Introduction

No comments in this section.

B.2 – Framework

Paragraph 60.2 - amend with the expression “conceptually compatible with IVS”, once local legislation may force behavior of the market and restrict the functioning of an open market or the process of development of local standards may restrict participation of stakeholders.

Paragraph 60.4 – Last word is IVS and not IV.

B.3 – 101 Scope of Work

No comments in this section.

B.4 – 102 Investigations and Compliance

No comments in this section.

B.5 – Reporting

No comments in this section.

B.6 – 104 Bases of Values

Paragraph 20.1 – replace, at the end of the paragraph "and used by valuers" by "and commonly used by valuers". The reason is to reinforce that those that are most commonly used are considered but others should not be forgotten.

Paragraph 30.4 – In the last line replace "that there is a willing buyer" by "there is a generic willing buyer" just to reinforce that this is not a specific willing buyer.

Paragraph 80.1 – include at the end of the paragraph "Orderly and forced liquidations are premises of value and not bases of value" just to reinforce that these are not bases of values, what is a common misinterpretation.

Paragraphs 100 to 130 – The standard should not try to explain concepts of other standards or repeat without explanation their text. We suggest one section, i.e. 100 explaining the exact differences of the terms used in other standards and their correspondence with the IVS. How Fair value, fair market value, market value and equitable value relates to each other. One asset can be considered to be exposed to the market looking for the highest and best use. It may be exposed in the market where it is used actually, without consideration of highest and best use. It may be intended to be transacted between parties that know each other and have particular interests in the transaction. The base of value may consider either the perspective of the market or of the buyer. We suggest to concentrate in the concepts other than in the standards out of IVS.

We also suggest the inclusion of the concepts of "recoverable value" and "value in use" widely required from values by the users in business transactions.

B.7 – 105 Valuations Approaches and Methods

Paragraph 50.19 - Include the paragraph 50.19 "Valuers shall assure that seazonality and cyclical behavior were considered in accordance with historic behavior"**.** Seazonality is important to be considered in projections**.**

Paragraph 70.2 item a) – Exclude the word "significant" because a premium may be paid in any situation and a non significant premium will not exclude the need for consideration.

Paragraph 80.4 – replace the word "create" by "obtain" because create would lead to the concept of reproduction cost. Depreciation would be a better word than deprecation.

Paragraph 80.8 – include the paragraph to care for depreciation also in respect to reproduction "Valuer shall deduct the applicable depreciation (physical, functional or external) to arrive at the value of the asset".

B.8 - 200 Businesses and business Interests

Paragraph 50.4 – replace "those in para 50.8" by " those in 105 Valuation Approaches and Methods para 50.8". Add "Care shall be taken when comparing transactions in different countries to equalize the country risk among sample elements".

Paragraph 80.1 – Correct the section numbers for the items which are numbered starting in 80 when it should start in 90.

Paragraph 110.1 include item e) – "if tax benefits can or cannot be transferred to the buyer"

Paragraph 120.2 - at the end of the paragraph add "Counterwise, in valuations for tariff purposes it may be necessary to exclude some assets from the tariff value bases".

B.9 – 210 Intangible Assets

Paragraph 60.1 – replace "attributable to other assets" by "attributable to the contributory assets". Not all the assets are necessarily contributory but only the value of the contributory should be excluded.

Paragraph 110.3 a) – start the phase with "reliable information" instead of "information". The reliability of information is of paramount importance.

Paragraph 130.3.b) – replace "internally-used software" by "internally-used non-marketable software" because if the software is marketable although the company does not market it, the possible value shall be considered.

B.10 300 Plant and Equipment

Paragraph 20.9 Include after this paragraph a new paragraph 2.10 – "Sometimes equipment requires the construction of structure or foundations that are used to support the equipment. It is not rare that those costs are posted in accounting as buildings and not as equipment using a life different of the equipment. The valuer shall take care of including the cost of these items as part of the equipment cost and use the same equipment life for depreciation purposes"

Paragraph 70.3 – replace "established the replacement cost" by "established the replacement or reproduction cost"

Paragraph 70.6 after this paragraph include paragraph 70.7 – "The cost capacity function is usually exponential and the valuer shall determine the exponent based in standards of the industry or a survey with manufacturers of that type of asset".

B.11 400 – Real Property Interests

No comments in this section.

B.12 410 Development Property

Paragraph 90.31 - The suggestion is that the risk be only associated with the discount rate and finance costs and not with the profit itself. Profit margin should be the normal profit margin for the type of project. For higher risks, higher discount rates and not higher profit margins. This will avoid double counting risk.

Paragraph 90.36 – At the end of the paragraph include "and must be compatible with investments with the same risk characteristics."

B12 – 500 – Financial Instruments

No comments in this section.