4. IVS Gap Analysis - Questions for Respondents	
Question 1: Do you agree with the current categorisation and timings of the topics contained in the gap analysis and if not why?	Yes, MAPPI generally agree with the categorization and timings of the topics, however it should remain flexible to the market needs. For example, in developing countries such as Indonesia, infrastructure development is utterly critical, especially for transportation and energy, which involves valuation, from the financing until its management, as well as financial reporting. Since infrastructure financing mostly are done through international or multilateral lenders, we need to have an internationally accepted principles and guidance in conducting the valuation. In addition, we also need clarification on these topics: Discount rate: should be both BV/TA specialism Early stage valuation: fall under Standard or GN? Implementation guidance: comes under GN, will this be necessary considering that the content is now discussed in the IVS 102 and IVS 105? Price vs Value: should be addressed in the IVS Framework
Question 2: Are there any other topics which you believe should be included or deleted from the IVS gap analysis and if so why? (Please state the relevant specialism, categorisation and timing for any proposed additional topics).	Please also refer to the above answer. We suggest to have these topics included in the IVS Gap Analysis: Valuation for transfer pricing (BV/TA, M) Valuation of personal property (TA, C)
5. Chapter 1 – Non-Financial Liabilities - Questions for Respondents	
Question 1.1: Is the valuation of non-financial liabilities a critical area that should be addressed by the IVSC? Please explain why.	Yes, although currently is still not a common valuation work in Indonesia, but there is a growing need for valuation of Asset Retirement Obligation (ARO) in mining or forestry sector.
Question 1.2: Should IVS provide a separate definition of liabilities? If yes, do you agree with the definitions provided by the FASB and IASB, please explain why?	Yes, IVS should have separate definition of liabilities. Yes, to maintain consistency, particularly for financial reporting purpose.

Question 1.3: What non-financial liabilities do you observe in practice? For each liability, what valuation methods do you most commonly see used? Which of the non-financial liabilities you listed have the greatest diversity of valuation in practice?	- Product warranties, - Asset retirement obligations (ARO), - Litigation contingencies, - Guarantees, - Contingent consideration. Mostly using probability method, Monte Carlo simulation or option pricing
Question 1.4: Do you agree with the decision to exclude financial liabilities from this ITC? If yes, do you think IVSC should add financial liabilities as a possible project(s) in the future?	Yes, should there be market needs.
Question 1.5: Do you think IVSC should add financial instruments, pension liabilities, and insurance liabilities as a possible project(s) in the future?	No. Pension liabilities and insurance liabilities are the scope of actuaris.
Question 1.6: Of the potential Standard Alternatives outlined above (A, B, C), which do you prefer and why?	Option C, to provide clarity and maintain consistency.
Question 1.7: Are there methodologies and best practices utilised by the insurance industry that the Boards should consider for inclusion in future standards? If so, please discuss.	No
6. Chapter 2 – Discount Rates - Questions for Respondents	
Question 2.1: Are additional standards related to the derivation of discount rates a critical area that should be addressed by the IVSC? Please explain why.	Yes, because we have encountered a big diversity in the market valuation practice, even different perception between regulator and valuers.

Question 2.2: Given the extensive use of the CAPM for derivation of discount rates used in business enterprise and asset valuations, do you agree with the Boards proposal to issue new standards to target diversity in practice related to discount rate derivation? Please explain why.	Yes, and while CAPM is mostly relevant in the valuation of equity, but in asset valuation it will be using other method such as band of investment or IRR method.
Question 2.3: Which inputs have you observed to have diversity in practice that would benefit from additional guidance in IVS and why?	ERP, CSRP Specific risk for asset valuation
Question 2.4: What other methods of deriving discount rates for business enterprise valuation do you commonly observe in practice? For each method, do you commonly observe diversity in practice in its application?	CAPM with ICOC method in deriving the ERP Build up approach Yes
Question 2.5: Of the potential Standard Alternatives outlined above (A, B, C), which do you prefer and why?	Option B, we still need the performance framework for other methods than CAPM.
7. Chapter 3 – Early Stage Company Valuation -Questions for Respondents	
Question 3.1: Are additional standards for the valuation of early-stage companies a critical area that should be addressed by the IVSC? Please explain why.	Yes. We need to improve consistency and reliability in the valuation of early stage companies/development
Question 3.2: In which areas of the valuation of early-stage companies do you see the greatest diversity in practice? Are there additional areas of concern not noted above in this ITC? If so, please discuss.	In the determination of method used and the application.
Question 3.3: Of the potential Standard Alternatives outlined above (A, B, C), which do you prefer and why?	Alternative C, performance framework which address specific problem areas not elaborated in the IVS 105

8. Chapter 4 – Biological Assets - Questions for Respondents	
Question 4.1: Should IVS provide a standard of Biological Assets? If yes, do you agree with the title of this standard and the distinction provided by the FASB and IASB between Biological Assets and Agricultural Produce, please explain why?	Yes, but we prefer to have this titled as Valuation of Agricultural Properties. The current title of Biological Asset has only limited context for accounting purpose. Yes, but only for accounting/financial reporting purpose. We also encounter issues in differentiating valuation of agriculture properties as individual asset (i.e, for financial reporting, financing) in comparison with valuation of the business (for M&A), which has created different perception between valuers in promulgating the key premises i.e one cycle planting or perpetuity with replanting.
Question 4.2: Do you observe a significant variation in valuation practice for Biological Assets? For each type of Biological Asset, what methods do you most commonly see used? Which type of the Biological Asset you listed have the greatest diversity in practice?	It becomes problematic when we need to separate the value of bearer biological assets with the agriculture produce and we believe that IAS 41 has created many difficulties and potential dispute in valuation. Bearer BA such as oil palm, dairy cow could apply the three valuation approaches (revaluation model in IAS 16) Agriculture Produce such as the FFB in oil palm plantation generally will use DCF method Consumable BA: will use DCF method for sugar cane, or market approach for beef cattle Valuation of Consumable BA has the treatest diversity in practice.
Question 4.3: Do you observe a significant variation in valuation practice for Agricultural produce? For each type of Agricultural Produce, what methods do you most commonly see used? Which type of the Agricultural Produce you listed have the greatest diversity in practice?	Yes, particularly in identifying what could be identified as agricultural produce and measuring the amount of AP, and the timing of harvesting (point of harvest). DCF method Rubber latex or tea leaves which has continuous point of harvest
Question 4.4 Is the valuation of Biological Assets a critical area that should be addressed by the IVSC? Please explain why.	Yes It is related with IAS 41 – fair value measurement and the current divergence in the valuation practice. We also need best practice guidance for the determination of Discount rate in the AP valuation

Question 4.5: Does the separation of value between the agricultural produce and its bearer plants cause issues within your market? Please explain why.	Yes, please refer to answer of Q 4.2
Question 4.6: Do you feel that there is conceptual Issue in allocating components of Fair Value? Please explain why together with your recommendations for resolving these issues.	Yes – when the value of non plants (land, building P&M) components are exceeding the industry average for the needs of these non plants assets, this could potentially result in a lower plant value. Valuer should check and adjust the non plants components to reflect the requirement in the comparable agricultural properties.
Question 4.7: Do you think that potential alternative uses should be considered when valuing land as part of a Biological Asset valuation? Please explain why.	Yes, particularly when the HBU of the land is no longer for agriculture use. However, this might not be relevant for accounting purpose, which will disregard the HBU and adopt the concept of MV of the land for existing use.
Question 4.8: Do you think that there are four basic sampling and measurement techniques for the valuation of Biological Assets? If not, please explain what sampling techniques have seen used in practice.	We usually do the measurement verification using non probability purposive sampling.
Question 4.9: Do you think that there are four basic sampling and measurement techniques for the valuation of Biological Assets? Do you think that the inclusion of information on generally accepted sampling and measurement techniques would substantially reduce diversity of valuation practice and if so, how?	While we think that this is necessary, however should not be seen as limiting the methodology used.

9. Chapter 5 – Extractive Industries - Questions for Respondents	
Question 5.1: Should IVSC produce combined standards and guidance for Extractive Industries or produce separate pronouncements for mining and for oil and gas? If you believe the latter, please indicate the reasons why you consider separate guidance is appropriate.	We support a combined standards and guidance for extractive industries
Question 5.2: Should the standards focus just on the valuation of reserves and esources or should it extend to other assets employed in the industry and to entire businesses in the sector? Please provide reasons for your answer	We think the standards should focus on the valuation of reserves and resources and the business. The other employed assets are already discussed in the IVS 300 Plant and Equipment dan IVS 400 Real Property interest
Question 5.3: Which classification code or codes are most commonly used in your industry / sector? Which code do you normally use or rely on? Are you aware of differences across your / industry sector on the classification codes used? If so please indicate whether these differences cause problems in undertaking or understanding valuations.	We usually use or more familiar with SPE (for oil and gas)and the JORC code or KCMI code (for mineral) by Perhapi and IAGI (local mining and geologist experts association).
Question 5.4: When valuing with a discounted cashflow do you use internal production forecasts developed by the entity's own geological and engineering specialists, external forecasts, or a combination of both and you adjust the production forecasts for risk by reserve category?	It's a combination of both Yes, there will be production forecast adjustment for risk

Question 5.5: Please indicate what methods you use or are familiar with that fall under the Cost Approach and that are used in valuing assets in the Extractive Industries. Please indicate in your experience how the cost of an equivalent asset is determined and please indicate the three most common adjustments that are made in your experience to reflect physical, functional or economic obsolescence, and what metrics are used to determine these adjustments?	N/A
Question 5.6: Please identify any intangible assets that are normally separately identified and valued; i. In transactions between entities in the Extractive Industries and ii. When accounting for the acquisition of a business in the Extractive Industries.	N/A
Question 5.7: In your experience what, if any, value is attributed to components of goodwill, eg an assembled skilled workforce, in corporate transactions in the Extractive Industries. Please briefly indicate any valuation techniques used to establish the value of goodwill in such circumstances.	If we valued an assembled skilled workforce we will consider recruitment and training cost. Other than that we use residual method such as in the valuation for Purchase Price Allocation purposes
Question 5.8: Please provide any examples of which you are aware of significant differences between the value of otherwise similar resources arising solely from different Governmental policies. Please indicate how “country risk” factors are reflected in the way in which you price or value extractive assets.	There is a Law in Indonesia that require a foreign mining company to divest part of their shares to the local after several years. If this divested share is bought by SOE or regional government, the value will exclude the reserve and resource elements.

10. Chapter 6 – Inventory - Questions for Respondents	
Question 6.1: Should IVS provide separate standards for valuing inventory? Please explain why	Yes, to improve consistency and enable comparability. The scope of this standard should be clear, whether it address valuation for financial reporting only or also for financing purpose. We also see there is an issue on how to measure or verify the amount of stock.ton
Question 6.2: What methods for the valuation of inventory do you most commonly see used in practice?	- Raw material: Replacement Cost method - WIP: Comparative sales method (selling price - cost to complete – disposal cost - profit allowance) - Finished goods: Comparative sales method (selling price – disposal cost – handling cost)
Question 6.3: Do you agree with the decision to focus on the application of the Comparative Sales Method? If not, please discuss the other methods that should be included in the performance framework.	No, the focus should not only the comparative sales method, but also should address replacement cost.

Information requested	- MAPPI Response
(1) Which valuation techniques do entities typically use to measure the fair value of biological assets or agricultural produce? Are there particular circumstances in which the discounted cash flows technique is used – if so please describe those.	Perennial plants which produce fruits or other type of agriculture produce usually comprised several stages for the fruits to be ready for harvesting and to be sold in the open market. Biological assets which fall under this category are oil palm, cacao, sugarcane and also dairy cows. Valuation of this type of biological asset or agriculture produce usually require the use of discounted cash flow technique. On the other hand, there are some biological assets that all its produce could be harvested in one single time, such as latex from rubber tree or beef cattle which usually requires the use of market approach.
(2) If the entity uses a discounted cash flow technique to measure the fair value of biological assets or agricultural produce, which inputs are used as a starting point for valuation? In particular, how do entities reflect tax when measuring the fair value of biological assets or agricultural produce using a discounted cash flow technique? Please consider both the cash flows and discount rate.	For biological asset or agriculture produce which utilized discounted cash flow, first input as the starting point is the estimate of production volume/amount to be used in the projection. This potential effective production will be the basis to determine the revenue. Each agriculture produce will have different harvesting period and different production amount when harvested (i.e; fresh fruit bunches from oil palm tree will be different with pineapple or cacao). It will be important to provide guidance principles on how to measure the amount or volume of the agriculture produce, since this will become the basis in estimating the income projection in the DCF analysis. In Indonesia, there is a concensus among valuers, that in asset valuation, the cash flow and discount rate are pre-tax, as contrast with the valuation of the business, which will include the tax. However, we believe that the valuation should be similar.
(3) Does paragraph 22 of IAS 41 influence which valuation method an entity decides to apply? Please explain.	We are in agreement with the statement in paragraph 22 IAS 41, while implementing DCF method in the asset valuation of biological assets and agriculture produce. *22. An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).*