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Mark Zyla
Chair
International Valuation Standards Council
1 King Street
London
United Kingdom
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Dear Mr Zyla,

IVSC Invitation to Comment – IVSC Agenda Consultation 2017

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Valuation Standards Council's ('the IVSC's') Invitation to Comment *Agenda Consultation 2017* ('the invitation to comment).

We are supportive of the IVSC's objective to increase consistency in valuation practices through the development of framework standards such as those comprised in IVS 2017. Acknowledging that the primary objective of the IVSC is the development of valuation standards, we believe that it can greatly contribute in areas where fair value is required for financial reporting purposes. In some circumstances, this requirement can present significant challenges to companies and their auditors. The IVSC, through the expertise of its members, can provide valuable technical input to alleviate these challenges through the development and promotion of appropriate valuation methodologies.

This is particularly the case with respect to valuation of early stage companies (notably, high tech companies' valuation) and biological assets that are proposed topics in the invitation to comment. These relate to IFRS standards that have been in application for a number of years but that continue to present known practical difficulties. With respect to the biological assets, we believe that the key valuation issues are those arising from the requirement in IFRS to separate the "fruits" from the bearer plants. As noted, some of these issues are conceptual (e.g., unit of account related issues such as at which point in the growth cycle is a fruit considered to exist separately from the bearer plant) and other pertain more directly to valuation techniques (e.g., should there be a contributory asset charge in the valuation of the fruit for use of the plant? How should general costs, such as fertilizer and pest control, be allocated between the growing produce and the plant?).

The IVSC's guidance on issues pertinent to valuation matters would be welcome. Equally, the IVSC's input into the IASB's thinking on the unit of account (e.g., as part of the IASB's Post-implementation Review of IFRS 13 *Fair Value Measurement*) would be very valuable.

However, we note that the IVSC is suggesting to also address valuation issues that relate to recently issued IFRSs or to projects that are currently on the IASB work plan. For these, we suggest that the IVSC contribution may be more effective if it was made within the context of the IASB work streams. For example,

- Discount rates: We note that the issue of discount rate is on the work plan of the IASB as a research project. As such, it may be more effective for the IVSC to contribute to the activities of the IASB on that topic rather than addressing valuation issues separately. This is more likely to promote the development of accounting principles that are consistent with sound valuation practices. This is also the case with the extractive industries topic that is part of the IASB research pipeline, albeit on a longer horizon.

- Valuation of non-financial liabilities: As noted in the IVSC invitation to comment, a significant issue in the valuation of non-financial liabilities is the determination of the discount rate which also interacts with the IASB research project discussed above. We also note that the liabilities intended to be covered by this topic comprise, notably, deferred revenue and product warranties that are covered, at least in part, by IFRS 15 *Revenue from Contracts with Customers*. While the IVSC topic does not appear intended to address valuation in the context of IFRS 15, presumably the existence of these non-financial liabilities itself is related to IFRS 15. Greater experience with application of this new IFRS may be helpful in identifying the scope of non-financial liabilities for which valuation issues may arise. The post-implementation review of IFRS 15 to be conducted by the IASB at a later date may provide clarity on this.

Indeed, we strongly believe that the contribution of the IVSC can be most effective in promoting consistent and sound valuation practices if it was coordinated with the work of accounting standard setters, such as the IASB and the FASB. We envisage that the IVSC's contribution could take the form of the development of educational material and various other promotional/educational activities. In terms of IFRS, feeding into the IASB work would permit the IVSC to more easily reach IFRS practitioners. Also, the application of IFRSs is already an integral part of various regulatory frameworks (capturing IFRSs reporters and their auditors) that are well positioned to monitor consistency of application.

Finally, we also encourage the IVSC to respond to the request for views by the IASB as part of its Post-implementation Review of IFRS 13 and to work with the IASB in addressing the findings of this review. Similarly, we believe that the IVSC could make valuable input to the request for comments by International Auditing and Assurance Standards Board's on its exposure draft *Proposed International Standard on Auditing 540 (Revised) Auditing Accounting Estimates and Related Disclosures*. We refer the IVSC to our responses to these two consultations for our views on areas for improvements with respect to these standards.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884 or Mark Pighini in Atlanta at +1 404 220 1983.

Yours sincerely

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