

Proposed Standard: APES 225 Valuation Services

[Supersedes APES 225 Valuation Services issued in December 2015]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT 04/17

ISSUED: December 2017

Copyright © 2017 Accounting Professional & Ethical Standards Board Limited (“APESB”). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the *Copyright Act 1968*, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

Commenting on this Exposure Draft

This Exposure Draft, Proposed Standard APES 225 *Valuation Services*, was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 2 February 2018.**

Comments should be addressed to:

The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 11, 99 William Street
Melbourne VIC 3000
Australia

APESB would prefer that respondents express a clear overall opinion on whether the proposed Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed Standard.

Respondents are asked to submit their comments electronically through the APESB website, using the link <http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties, comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **2 February 2018** by contacting:

Accounting Professional & Ethical Standards Board Limited
Level 11
99 William Street
Melbourne Victoria 3000
Australia
E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

Reasons for issuing Exposure Draft 04/17

APESB proposes to revise APES 225 *Valuation Services* (December 2015). The key proposed revisions have been developed primarily to address matters raised by stakeholders during the annual review process.

Key requirements and guidance in ED 04/17

The key proposed revisions to the Standard are:

- The disclosure of the standard of value used in the Valuation and its definition in the Valuation Report (refer paragraph 5.2(h)); and
- Addition of an example relating to the Valuation of intellectual property (refer example 10).

Proposed operative date

It is intended that this Standard will be effective from **1 July 2018** with early adoption permitted.

APES 225 Valuation Services

[Supersedes APES 225 Valuation Services issued in December 2015]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

REVISED: xxxx 2018

Copyright © 2018 Accounting Professional & Ethical Standards Board Limited (“APESB”). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the *Copyright Act 1968*, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

Contents

	Section
Scope and application.....	1
Definitions.....	2
Fundamental responsibilities of Members.....	3
- Public interest	
- Professional Independence	
- Professional competence and due care	
- Confidentiality	
Professional Engagement and other matters	4
Reporting	5
Documentation.....	6
Use of a glossary of business valuation terms	7
Professional fees	8

Conformity with International Pronouncements

Appendix 1: Schematic and Examples

Appendix 2: Summary of revisions to the previous APES 225 (Issued in December 2015)

1. Scope and application

[Paragraph 1.1 of extant Scope and application remains unchanged.]

- 1.2 Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 225 *Valuation Services (the Standard)*, which is effective for Valuation Engagements or Assignments commencing on or after 1 July 2018 and supersedes APES 225 issued in December 2015. Earlier adoption of this Standard is permitted.

[Paragraphs 1.3 to 1.10 of extant Scope and application remain unchanged.]

2. Definitions

For the purpose of this Standard:

Premise of Value means an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation, e.g. going concern or liquidation.

[All other definitions in the extant Standard remain unchanged.]

3. Fundamental responsibilities of Members

[Paragraphs 3.1 to 3.2 of extant Section 3 remain unchanged.]

Public interest

[Paragraph 3.3 of extant Section 3 remains unchanged.]

Professional Independence

[Paragraphs 3.4 to 3.5 of extant Section 3 remain unchanged.]

Professional competence and due care

[Paragraphs 3.6 to 3.9 of extant Section 3 remain unchanged.]

Confidentiality

[Paragraphs 3.10 to 3.13 of extant Section 3 remain unchanged.]

4. Professional Engagement and other matters

[Paragraphs 4.1 to 4.7 of extant Section 4 remain unchanged.]

5. Reporting

[Paragraph 5.1 of extant Section 5 remains unchanged.]

- 5.2 Where a Member in Public Practice prepares a written Valuation Report in respect of a Valuation Service, the Valuation Report shall clearly communicate:

- (a) The name of the party engaging the Member;
- (b) A description of the business, business ownership interest, security or intangible asset being valued;
- (c) The date at which the value has been determined;
- (d) The date on which the Valuation Report has been issued;

- (e) The purpose for which the Valuation Report has been prepared;
- (f) The name and qualifications of the Member(s) responsible for the Valuation;
- (g) The scope of the Valuation, including any limitations or restrictions;
- (h) The standard of value used in the Valuation and its definition;
- (i) The Premise of Value adopted in the Valuation (e.g. going concern premise or liquidation premise);
- (j) Whether the Valuation was undertaken by the Member acting independently or not;
- (k) The Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied;
- (l) The specific information on which the Member has relied and the extent to which it has been reviewed (e.g. the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon, and management representations);
- (m) A description of the material assumptions applied in the Valuation and the basis for those assumptions;
- (n) A Conclusion of Value for a Valuation Engagement or a Limited Scope Valuation Engagement, or a Calculated Value for a Calculation Engagement;
- (o) All qualifications that materially affect the Conclusion of Value or Calculated Value;
- (p) For a Limited Scope Valuation Engagement, that if a Valuation Engagement had been performed the results may have been different;
- (q) For a Calculation Engagement, that if a Valuation Engagement had been performed the results may have been different;
- (r) Where a Member has prepared a Valuation Report requiring Independence or purporting to be independent, that the compensation to be paid to the Member is not contingent on the conclusion, content or future use of the Valuation Report; and
- (s) That the Valuation Service was conducted in accordance with this Standard.

[Paragraphs 5.3 to 5.5 of extant Section 5 remain unchanged.]

6. Documentation

[Paragraph 6.1 of extant Section 6 remains unchanged.]

7. Use of a glossary of business valuation terms

[Paragraphs 7.1 to 7.2 of extant Section 7 remain unchanged.]

8. Professional fees

[Paragraphs 8.1 to 8.2 of extant Section 8 remain unchanged.]

Conformity with International Pronouncements

The International Ethics Standards Board for Accountants (IESBA) has not issued a pronouncement equivalent to APES 225.

Appendix 1

Schematic and Examples

[The introductory paragraphs to Schematic and Examples in extant Appendix 1 remain unchanged.]

Schematic

[The schematic in extant Appendix 1 remains unchanged.]

Examples

No	Title	Conclusion
<i>[Items 1 to 9 in extant Examples listing remain unchanged.]</i>		
10	Valuation of intellectual property for a Client	Valuation Engagement
<i>[Items 10 to 23 in extant Examples listing remain unchanged but renumbered as items 11 to 24.]</i>		

[Examples 1 to 9 of extant Appendix 1 remain unchanged.]

Example 10 Valuation of intellectual property for a Client

Facts: A Member in Public Practice is engaged to perform a Valuation of the intellectual property of a Client, which the Client uses internationally. There is no restriction or limitation placed on the Member in terms of choosing the appropriate Valuation Approaches, Valuation Methods, and Valuation Procedures to perform the Valuation. The Member considers that the extent to which the intellectual property is protected by law in the countries in which it is used is material to the Valuation. The Client has informed the Member that it has not obtained legal advice to determine the strength of its legal rights over the intellectual property in each jurisdiction. The Client has instructed the Member to assume that the Client has legally enforceable rights in each jurisdiction.

Analysis: This is a Valuation Service. The Member in Public Practce has been engaged to perform a Valuation and to provide a Valuation Report. The Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures the Member deems appropriate. Accordingly, this is a Valuation Engagement. However, the Valuation Report must disclose the material assumption the Member is instructed to make regarding the status of the legal rights over the intellectual property.

[Examples 10 to 23 of extant Appendix 1 remain unchanged but renumbered as Examples 11 to 24.]

Appendix 2

Summary of revisions to the previous APES 225 (Issued in December 2015)

APES 225 *Valuation Services* originally issued in July 2008 and revised in May 2012 and December 2015 has been revised by APESB in XXXXXX 2018. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.2	Amended
2 – Definition of Premise of Value	Amended
5.2	Amended
Appendix 1	Amended

* Refer *Technical Update 2018/1*