



Annual Review of APES 225 *Valuation Services*

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Background to Standard

Accounting Professional and Ethical Standards Board (APESB) issued APES 225 *Valuation Services* (APES 225 or the Standard) in July 2008, and the revised Standard in May 2012 with an effective date of 1 September 2012.

Reason for this report

In accordance with APESB's constitution, a review should be performed on an annual basis after a new standard is effective in order to identify any issues reported by stakeholders. This report presents a review of the issues either reported to APESB or identified by an internal technical review and the proposed recommendations to address those issues.

Review of Issues

Carried forward issues from prior years

1. *Minor editorial comments to the sections of the Standard*

Issue

A stakeholder raised minor editorial comments in relation to the following sections of the Standard:

- Definitions – 'Valuation Service' should be in italics;
- Paragraph 3.2 – second line 'and' should not be in italics; and
- Paragraph 5.3 – last line 'Quality Control for Firms' should be in italics.

Analysis of Issue

Technical Staff have reviewed APES 225 and agree with the proposed editorials.

Impacted Stakeholders

Members, Firms and Professional Bodies

Current Status

In May 2013 the Board approved these minor editorial matters to be incorporated in the next revision of APES 225.

New issues raised

2. *Additional guidance on representation letters*

Issue

A stakeholder raised a comment that the body of APES 225 should be amended to include guidance on representation letters.

Analysis of Issue

A stakeholder has suggested an additional guidance paragraph to follow paragraph 4.5 of the Standard. This guidance should make reference to representation letters in a manner similar to that incorporated in the Exposure Draft of APES GN 20 *Scope and Extent of Work Valuation Services* as follows:

Depending on the type of Valuation Service, Members in Public Practice should consider the necessity of obtaining representations, preferably in writing, from management or other representatives of the relevant entity to obtain appropriate corroboration. Such representations may be in letter format, and may include a general representation that the Client:

- is aware of the material assumptions applied in the Valuation Service and the basis for those assumptions;
- is aware of the specific information on which the Member has relied and the extent to which it has been reviewed;
- has reviewed a draft of the Valuation Report;
- is satisfied with the Valuation Approaches and Valuation Methods adopted; and
- does not have any information or knowledge which would reasonably be expected to materially affect the Conclusion of Value or Calculated Value noted in the Valuation Report.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies

Recommendation

It is recommended that the proposed guidance relating to representation letters is of benefit to a Member in Public Practice and should be considered for inclusion in the next revision of APES 225.

3. Defined terms

Issue

The Technical Staff review identified that the Definitions section of APES 225 needs to be revised.

Analysis of Issue

The Definitions section in APES 225 requires revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*.

Definitions to be revised

Client means an individual, Firm, entity or organisation to whom or to which ~~Valuation Services~~ Professional Activities are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Contingent Fee means a fee calculated on a predetermined basis relating to the outcome ~~or result~~ of a transaction or the result of the services work performed by the Firm. A fee that is established by a court or other public authority is not a Contingent Fee.

Independence means is

- (a) Independence of mind - the state of mind that permits the expression ~~provision~~ of a conclusion ~~an opinion~~ without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would be likely to reasonably conclude, weighing all the specific facts and circumstances, that a Firm's, or a Member of the Engagement team's, integrity, objectivity or professional scepticism has ~~been~~ compromised.

Member means a member of a ~~p~~Professional ~~b~~Body that has adopted this Standard as applicable to their membership, as defined by that ~~p~~Professional ~~b~~Body.

Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax or consulting) in a Firm that provides Professional Services. This term is also used to refer to a Firm of Members in Public Practice and means a practice entity and a participant in that practice entity as defined by the applicable ~~p~~Professional ~~b~~Body.

Professional Services means ~~services requiring accountancy or related skills performed by a professional accountant including accounting, auditing, taxation, management consulting and financial management services.~~ Professional Activities performed for Clients.

Definitions to be added

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

Professional Bodies means the Institute of Chartered Accountants Australia, CPA Australia and the Institute of Public Accountants.

Subsequent to the revision of the Definitions section, consequential editorial amendments may also be required to APES 225.

Impacted Stakeholders

Members, Firms and Professional Bodies.

Recommendation

The defined terms in APES 225 should be revised in a manner consistent with the Code and other APESB standards. It is recommended that these changes and any other consequential amendments be processed at the next revision of APES 225.