

Constituents' Submissions – General Comments
Exposure Draft 04/12: APES GN 20 Scope and Extent of Work for Valuation Services

Note: Specific comments relating to APES GN 20 are addressed in separate tables. This table excludes minor editorial changes.

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1	n/a	JAB	<p>Thank you for the opportunity to comment on the Exposure Draft of the proposed guidance note APES GN 20 <i>Scope and Extent of Work for Valuation Services</i>. CPA Australia and the Institute of Chartered Accountants Australia (The Institute) have considered the Exposure Draft and our comments follow.</p> <p>CPA Australia and the Institute represent over 200,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia in Australia and internationally.</p> <p>The Institute and CPA Australia support the adoption of the proposed Guidance Note on the application of APES 225 <i>Valuation Services</i> (APES 225) in determining the scope, extent of review and analysis, as well as extent of corroboration that is appropriate for the applicable valuation service. We offer the following comments in relation to the interaction between APES 225 and this guidance note.</p>
2	n/a	Deloitte	<p>We appreciate the opportunity to comment on proposed guidance note: APES GN 20 Scope and Extent of Work for Valuation Services ("GN 20"). However, we question the need for a guidance note on Valuation Services. It is not clear to us what the objective of GN 20 is or what risks it seeks to mitigate, therefore we are unable to provide any comment as to whether we believe GN 20 will be successful in meeting its objective or the needs of users. We have the following further comments on GN 20.</p>
3	n/a	Deloitte	<p><u>Authority, format and presentation of GN 20</u></p> <p>GN 20 is intended to provide guidance to Members and to be non-authoritative in nature. However, we are concerned that its format and presentation is almost identical to the authoritative pronouncements of the APESB and that this will lead to confusion amongst users.</p> <p>In APESB authoritative pronouncements the word "shall" is used to describe the requirements that Members must comply with. For example, "shall" is used in APES 225 Valuation Services ("APES 225"). The word "should" is used in the application</p>

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			<p>material paragraphs in a number of the authoritative pronouncements (for example APES 225), therefore its use in GN 20 is likely to suggest to Members that guidance notes carry the same authority as application material in the standards. We do not believe that this was the intent.</p> <p>Furthermore, use of the word “should” is inconsistent with the approach taken by other standard setters in the issuance of guidance notes or statements. For example, guidance notes issued by the AUASB are written in the active tense and avoid the use of words “shall”, “should” and “must”. This approach, in our view, helps to minimise the risk that people may interpret the wording in guidance as a requirement.</p> <p>The AUASB also include an authority statement at the start of each guidance note which explains that they “<i>provide guidance to assist the auditor fulfil the objectives of an audit</i>” and does not “<i>prescribe or create new requirements</i>”. We would be supportive of the APESB including a similarly clear authority statement at the beginning of GN 20 (and all its guidance notes).</p> <p>In summary, our view is that GN 20 appears to be authoritative and is very prescriptive in nature, in particular due to the repeated use of the word “should” and as it is similar to APESB standards in layout, style and format. In our view this is not helpful in a guidance note and may cause confusion as to GN 20’s status <i>vis-a-vis</i> authoritative standards (such as APES 225).</p>
4	n/a	Deloitte	<p><u>Transitional provisions and grandfathering</u></p> <p>We acknowledge that GN 20 is not a standard and that it would not be appropriate to include formal transitional provisions. However we believe that it would assist if GN 20 included a statement clarifying that it only has prospective application.</p>
5	n/a	BDO	<p>Thank you for the opportunity to comment on Exposure Draft 04/12, APES GN 20 Scope and Extent of Work for Valuation Services (the Draft).</p>
6	n/a	BDO	<p>We have substantial reservations as to the conceptual basis of the Draft. Although it is described as a guidance note, its effect would be to mandate certain processes and create professional standards best dealt with in APES 225 Valuation Services or at least properly dealt with as a standard. It does not add to the technical expertise or resources reasonably expected of a competent business valuer and therefore does not fulfil the purpose of a guidance note.</p>
7	n/a	Deloitte	<p>We would be pleased to discuss these issues with you further. If you have any questions, please do not hesitate to contact me on (02) 9322 7288.</p>

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8	n/a	PP	Should you have any queries with respect to the above, please do not hesitate to contact the undersigned on 8610 5601.
9	n/a	JAB	If you have any questions regarding this submission, please do not hesitate to contact Paul Meredith (The Institute) paul.meredith@charteredaccountants.com.au or Eva Tsahuridu (CPA Australia) at eva.tsahuridu@cpaaustralia.com.au.
10	n/a	BDO	Should you have any queries with respect to the above, please do not hesitate to contact Gregory Wiese of BDO (SA) Pty Ltd on 08 7324 6091.

Staff Instructions:

- Comments of a “general” nature should be dealt with first, followed by paragraph specific comments.
- Respondents' comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order.
- Use acronyms only for respondents. Update the attached table with details of additional respondents.

RESPONDENTS

1	PP	Pitcher & Partners
2	JAB	Joint Accounting Bodies
3	Deloitte	Deloitte Touche Tohmatsu
4	BDO	BDO Australia Limited