

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 7th MEETING OF THE VALUATION SERVICES TASKFORCE

9 August 2012 2.00 – 3.30 PM

Teleconference

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr Richard Stewart, Mr Alan Max, Mr Jim McDonald, Mr Tapan Parekh (alternate to Mr Mark Pittorino), and Dr Mark Shying.

In Attendance

Mr Harley McHutchison (APESB Board Member), Mr Robert Nickel and Ms Margareth Lioe.

Apologies

Mr Brendan Halligan.

2. Minutes of Previous Meeting

The minutes of the 6th Valuation Services Taskforce meeting held by teleconference on 23 March 2012 were accepted with minor editorial amendments.

3. Background to the APES GN 20 project

The Chairman provided a brief background to the taskforce APES GN 20 project and invited Mr. Richard Stewart to introduce the exposure draft released by the Canadian Institute of Chartered Business Valuators (CICBV) titled *Guidance on Types of Valuation Reports*. The CICBV exposure draft provides guidance material on how to determine the type of valuation report most appropriate in specified circumstances and the extent of review, analysis and corroboration of information applicable for each type of valuation report.

The Chairman informed the taskforce that APESB has received consent from CICBV to use the exposure draft in the development of APES GN 20 conditional upon APESB acknowledging the use of CICBV material.

A taskforce member raised concerns on whether the guidance in APES GN 20 constitutes a professional standard or whether it unintentionally strays into technical aspects. The general consensus of the other taskforce members was that the purpose of APES GN 20 is to provide guidance on applying the professional standard APES 225, and the aspects addressed in the proposed APES GN 20 addresses professional requirements rather than technical aspects of performing a valuation.

4. Drafting of APES GN 20

The taskforce discussed the following matters in respect of 1st draft of APES GN 20:

- The style of drafting may require amendment to convey that it is guidance rather than a standard;
- The use of active tense and qualifying words may be used to improve the clarity of the guidance note; and
- Avoid the use of terms such as “generally” or “normally”.

Proposed Amendments to APES GN 20

The taskforce members noted the following amendments in respect of the relevant paragraphs of the proposed guidance note:

- The title of APES GN 20 to be modified to “~~Guidance on the~~ Scope and extent of ~~work to be performed in~~ Valuation Services”;
- Para 1.5 to be separated into two paragraphs to highlight that the examples provided in the guidance note are for illustrative purposes only;
- Definitions – to add reference to APES 225 to ensure consistency;
- Para 4.4 – to remove the word “relevant” under the third column of the table to each read “...corroboration of significant ~~relevant~~ information”

Type of Valuation Service	Extent of Review and Analysis	Extent of Corroboration
Valuation Engagement	Comprehensive review and analysis of business and industry and all other relevant information and factors.	Corroboration of significant relevant information and factors.
Limited Scope Valuation Engagement	Limited review and analysis of relevant information.	Limited corroboration of significant relevant information.
Calculation Engagement	Minimal review and analysis of relevant information.	Little or no corroboration of significant relevant information.

- Table under Para 4.11 – to substitute “real property market value” example with other pertinent example;
- Table under Para 5.2 to incorporate the following amendments –

Context	Type of Valuation Service		
	Valuation	Limited Scope Valuation	Calculation
Evidence in dispute or litigation	Suitable	May be suitable	Likely not suitable
Assessment of litigation	Suitable	May be suitable	May be suitable
Tax consolidation purposes	Suitable	May be suitable	May be suitable
Shareholder agreement	Suitable	May be suitable (also dependent on any requirements of the shareholder agreement)	May be suitable (also dependent on any requirements of the shareholder agreement)
Estate planning	Suitable	May be suitable	May be suitable
Estate settlement	Suitable	May be suitable	Likely not suitable
Market transaction	Suitable	May be suitable	May be suitable
Financial reporting (giving consideration to accounting materiality)	Suitable	May be suitable	May be suitable
Independent Expert's Report	Suitable	May be Likely not suitable	Likely not suitable

- Reframing of words in Para 5.6 to remove the word “unqualified”.

It was resolved that the Technical Staff will address the amendments outlined above, and circulate a revised version of the guidance note for the taskforce’s consideration.

5. Way Forward

Taskforce members to provide amendments to APESB Technical Staff to update the proposed guidance note. APESB Technical Staff will incorporate all the amendments received from taskforce members and finalise the proposed ED for the Board’s consideration. The proposed guidance note will be presented at the September 2012 Board meeting.

6. Closing of Meeting

The meeting was closed at 3.10 PM.