

**Constituents' Submissions – Specific Comments Table**  
**Exposure Draft 05/11: APES 225 Valuation Services**

**Note: General comments relating to APES 225 are addressed in a separate table. This table excludes minor editorial changes.**

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1	3.4	Deloitte	<p><i>Professional independence</i></p> <p>Whilst already stated within Clause 5.2, for completeness and clarity, we consider it would be prudent to include a statement within Clause 3.4 that Members in Public Practice and Members in Business should note their disclosure and reporting obligations under Clause 4.2 (if adopted as per above[refer item number 3]) and Clause 5.2.</p> <p>Also, we consider it would be worthwhile emphasising that it would be difficult for a Member in Business to purport to be independent, given that they are likely to be performing the Valuation Service in relation to their Employer or a business, interest or asset in which their Employer is interested.</p>
2	3.7, 3.8 & 4.4	Deloitte	<p><i>Use of Third Party</i></p> <p>We acknowledge that the clauses in relation to the use of third party work have not changed in the Exposure Draft, as compared to the extant version of APES 225. However, we would like to reiterate a point we raised in our response to the initial Exposure Draft of APES 225 <i>Business Valuations</i> dated December 2007.</p> <p>We consider that the Member, where possible, should also ensure that the instructions and the Terms of Engagement of the third party are congruent with the Member's own engagement and ultimately that the work performed by the third party is suitably aligned with the Member's engagement.</p>
3	4.2	Deloitte	<p><i>Disclosure of independence in Terms of Engagement</i></p> <p>Where the Valuation Services being provided by a Member in Public Practice require Independence or purport to be independent, we consider it would be appropriate for the Member in Public Practice to confirm within the Terms of Engagement that they consider themselves to be Independent and that in performing their work, they will be obligated to comply with the independence requirements of APES 225.</p>
4	4.2	Deloitte	<p><i>Calculation Engagements and Terms of Engagement</i></p> <p>We consider that, in respect of Calculation Engagements, the Exposure Draft should require that the Member should explicitly disclose within the Terms of Engagement which Valuation Approaches, Valuation Methods and Valuation Procedures have been agreed with the Client or Employer and will be employed.</p>
5	4.2(a)	Deloitte	<p><i>Inclusion of the definition of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement in</i></p>

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			<p><i>the Terms of Engagement</i></p> <p>We believe that it would be prudent for the Terms of Engagement to only include the definition of the specific type of Valuation Service which a Member in Public Practice has been engaged to perform. We believe that it is unnecessary and potentially confusing to clients to include the definitions of all three types of Valuation Services in the Terms of Engagement.</p> <p>The Valuation Service provided to a client by a Member is determined based on the needs and objectives of the client for each particular engagement. By the time the Terms of Engagement is issued, the most appropriate type of Valuation Service has been agreed with the client. As such, it is unnecessary to include the definitions of the other types of Valuation Services. Furthermore, the definition of each type of Valuation Service does not include detail of the circumstances under which each of these would be applicable. As such, looking at the definitions alone would likely not be beneficial to a client and would potentially be confusing.</p>
6	4.5	Deloitte	<p><i>Support for conclusions contained in a Valuation Report</i></p> <p>We would like to clarify the intent of the phrases “gather sufficient and appropriate evidence” and “extent and quality of evidence” as used in clause 4.5. We acknowledge that these phrases were included in the extant APES 225. However, we believe that these phrases have specific meaning under the audit and assurance standards and could potentially be misleading for readers of APES 225, who may mistake each of these references to an assurance engagement completed under the professional standards of the Auditing and Assurance Standards Board.</p> <p>We believe that it would provide more clarity for readers, if clause 4.5 is re-phrased to read:  “<u>A Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis carry out processes and procedures to provide reasonable grounds that the Valuation Report and conclusions therein are properly supported. This would, for example, be achieved by means of inspection, inquiry, computation and analysis.</u> When determining the extent and quality of evidence necessary of procedures the Member shall exercise professional judgement, considering the nature of the Valuation, the type of Valuation Service and the use to which the Valuation Report will be put.”</p>
7	5.2(b) & 5.4	Deloitte	<p><i>Description of business or asset being valued</i></p> <p>As currently worded, we consider that this Clause is open to significant Member judgement. We also consider that a detailed description of the business or asset being valued may not be warranted in certain circumstances.</p> <p>As such, we would recommend that Clause 5.2 (b) be reworded to require a <b>brief</b> description of the business, business ownership interest, security or intangible asset being valued whilst Clause 5.4 be amended so as to allow for a more detailed description of the business, business ownership interest, security or tangible asset being valued.</p>

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8	5.2(i) & 5.2(q)	Deloitte	<i>Independence</i> We consider that both of these sub-clauses deal with similar principles and could be merged into one sub-clause or at least be brought closer together in the list of disclosures.
9	5.2(k)	Deloitte	<i>The Valuation Report is to include the specific information on which the Member has relied and the extent to which is has been reviewed</i> We acknowledge the addition of the examples to this clause. We would like to clarify the level of detail required for disclosure. For example, whether this clause requires the disclosure of specific document names and versions or whether broader groupings of documents are adequate.
10	Appendix 1	CPA	In the schematic diagram in Appendix 1, reference is made only to the three different types of Valuation Engagements. We suggest that 'or Assignment' be added to ensure that it is clear that engagements or assignments are covered and thus be consistent with the commentary before the diagram that refers to 'the three types of Engagement or Assignment'.
11	Example 15	ICAA	On a minor matter, we note that in Example 15 the word 'the' appears before the quoted words 'the terms proposed in the notice give a fair value for the securities concerned' unnecessarily.

*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	ICAA	Institute of Chartered Accountants in Australia
2	CPA	Certified Practising Accountants Australia
3	Deloitte	Deloitte Touche Tohmatsu Australia