

XX May 2012

### **APESB issues revised APES 225 *Valuation Services***

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 225 *Valuation Services* (APES 225) to update the existing APES 225 (Issued July 2008).

Please refer to Appendix 1 of this technical update for details of the revisions. The revised APES 225 will be effective for Valuation Engagements or Assignments commencing on or after 1 September 2012 with early adoption permitted.

The revised standard is available from APESB's website: [www.apesb.org.au](http://www.apesb.org.au)

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## Appendix 1

### Revision to APES 225 (Issued July 2008)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 225 *Valuation Services* which was originally issued In July 2008.

Paragraph Reference	Revisions
1.1	Accounting Professional & Ethical Standards Board Limited (APESB) issues professional standard APES 225 Valuation Services ( <b>the Standard</b> ), which is effective for Valuation Engagements or Assignments commencing on or after <del>01 January 2009</del> <u>1 September 2012</u> . Earlier adoption of this Standard is permitted.
2	<p><b>Calculation Engagement</b> means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member and the Client or Employer agree on the <del>specific</del> Valuation Approaches, <del>and Methods that the Member will use and the extent of</del> Valuation Methods and Valuation Procedures the Member will <del>perform to estimate the value of a business, business ownership interest, security or intangible asset</del> employ. A Calculation Engagement generally does not include all of the Valuation Procedures required for a Valuation Engagement <u>or a Limited Scope Valuation Engagement</u>.</p> <p><b>Firm</b> means</p> <ul style="list-style-type: none"> <li>(a) a sole practitioner, partnership, corporation or other entity of professional accountants;</li> <li>(b) an entity that controls such parties, <u>through ownership, management or other means</u>;</li> <li>(c) an entity controlled by such parties, <u>through ownership, management or other means</u>; or</li> <li>(d) an Auditor-General's office or department.</li> </ul> <p><b>Limited Scope Valuation Engagement</b> means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted. <del>For example, in valuing a business the scope of the work performed by the Member might involve only a limited or restricted review and analysis of the business and the industry in which it operates.</del> <u>The scope of work is limited or restricted where the Member is not free, as the Member would be but for the limitation or restriction, to employ the Valuation Approaches, Valuation Methods and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value is material. A limitation or restriction may be imposed by the Client or Employer or it may arise from other sources or circumstances. A limitation or restriction may be present and known at the outset of the Engagement or Assignment or may arise or become known during the course of a Valuation Engagement. A Limited Scope Valuation Engagement may also be referred to as a "restricted-scope valuation engagement" or an "indicative valuation engagement".</u></p>

	<p><b><u>Premise of Value</u></b> 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.</p> <p><b><u>Valuation</u></b> means the act or process of determining an estimate of value of a business, business ownership interest, security or intangible asset by applying Valuation Approaches, Valuation Methods and Valuation Procedures. <u>A Valuation does not involve the verification of information in respect of the business, business ownership interest, security or intangible asset being valued.</u></p> <p><b><u>Valuation Engagement</u></b> means an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member <del>determines an estimate of value of a business, business ownership interest, security or intangible asset by performing appropriate Valuation Procedures and where the Member is free to apply the Valuation Approaches and Valuation Methods that the Member considers appropriate in the circumstances</del> <u>is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time. Where a Member has entered into a Valuation Engagement but during the course of performing the Valuation Engagement the Member becomes aware of a limitation or restriction that, if it had been known at the time the Engagement or Assignment was entered into, would have made the Engagement or Assignment a Limited Scope Valuation Engagement then the Valuation Engagement will become a Limited Scope Valuation Engagement.</u></p>
3.8	<p><b>When planning to use the work of a suitably qualified third party, a Member shall assess <u>the engagement terms of the third party</u>, the professional competence and objectivity of that third party and the appropriateness and reasonableness of the work performed.</b></p>
4.2	<p><b><u>A Member in Public Practice shall include the following in the Terms of Engagement:</u></b></p> <ul style="list-style-type: none"> <li>(a) <b><u>a statement as to which type of Engagement the Member has been engaged to perform;</u></b></li> <li>(b) <b><u>the definitions of a Valuation Engagement, a Limited Scope Valuation Engagement and a Calculation Engagement;</u></b></li> <li>(c) <b><u>where the Member has been engaged to perform a Valuation Engagement, a statement that if the Member becomes aware during the course of performing the Valuation of a limitation or restriction that could have a material impact on the estimate of value, then the Engagement will become a Limited Scope Valuation Engagement;</u></b></li> <li>(d) <b><u>where the Member has been engaged to perform a Calculation Engagement, the Member shall state which Valuation Approaches, Valuation Methods and Valuation Procedures have been agreed with the Client and will be performed;</u></b></li> <li>(e) <b><u>where the Member has been engaged to provide a Valuation Service which requires Independence or purports to be independent, a statement confirming the Member's Independence and the Member's compliance with the Independence requirements of this Standard; and</u></b></li> </ul>

	(f) <u>a statement that the Valuation Service will be conducted in accordance with this Standard.</u>
4.34	A Member in Public Practice who has utilised the services of a <del>suitably qualified</del> third party in connection with the performance of a Valuation Service, such as a valuer of property, plant and equipment, shall not disclose the opinion or the name of that third party without the prior consent of that party unless the Member has a legal obligation of disclosure.
4.45	A Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to <del>ensure</del> <u>provide reasonable grounds</u> that the Valuation Report and the conclusions therein are properly supported. When determining the extent and quality of evidence necessary 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.
5.2	<p>Where a Member in Public Practice prepares a written Valuation Report in respect of a Valuation Service, the Valuation Report shall clearly communicate:</p> <ul style="list-style-type: none"> <li>(a) The name of the party engaging the Member;</li> <li>(b) A description of the business, business ownership interest, security or intangible asset being valued;</li> <li>(c) The date at which the value has been determined;</li> <li>(d) The date on which the Valuation Report has been issued;</li> <li>(e) The purpose for which the Valuation Report has been prepared;</li> <li>(f) The name and qualifications of the Member(s) responsible for the Valuation;</li> <li>(g) The scope of the Valuation, including any limitations or restrictions;</li> <li>(h) <u>The basis <u>Premise of Value</u> adopted in the Valuation; (e.g. going concern premise or liquidation premise);</u></li> <li>(i) A statement whether the Valuation was undertaken by the Member acting independently or not;</li> <li>(j) <u>The Valuation <u>Approaches Approach(es) and Valuation Method(s)</u> adopted in determining the estimate of value and a description of how they were applied;</u></li> <li>(k) <u>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);</u></li> <li>(l) A description of the material assumptions applied in the Valuation and the basis for those assumptions;</li> <li>(m) A Conclusion of Value for a Valuation Engagement or a Limited Scope Valuation Engagement, or a Calculated Value for a Calculation Engagement;</li> <li>(n) All qualifications that materially affect the Conclusion of Value or Calculated Value;</li> <li>(o) For a Limited Scope Valuation Engagement, a statement that if a Valuation Engagement had been performed the results may have been different;</li> <li>(p) For a Calculation Engagement, a statement that if a Valuation</li> </ul>

	<p>Engagement had been performed the results may have been different and <u>disclosure of the Valuation Approaches, Valuation Methods and Valuation Procedures performed;</u></p> <p>(q) Where a Member has prepared a Valuation Report that requires Independence or purports to be independent, a statement that the compensation to be paid to the Member is not contingent on the conclusion, content or future use of the Valuation Report; and</p> <p>(r) A statement that the Valuation Service was conducted in accordance with this Standard.</p>
6.1	<p>A Member <u>performing a Valuation Service shall prepare working papers that appropriately document the work performed, including aspects of the Valuation Service that have been provided in writing in accordance with this Standard, and the basis on which, and the method by which, any calculations, determinations or estimates used in the provision of the Valuation Service have been made.</u></p>
<b>Appendix 1</b>	Schematic Diagram and 7 additional examples developed
<b>Appendix 2</b>	Summary of revisions to the previous APES 225 added