

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

MINUTES OF THE 2nd MEETING OF THE APES GN 21 VALUATION SERVICES TASKFORCE

15 June 2011 10.30 – 11:51 AM

Teleconference

1. Present and Apologies

Present

Mr. Channa Wijesinghe (Chairman), Mr. Richard Stewart, Mr. Brendan Halligan, Mr. Alan Max and Mr. Mark Pittorino.

In Attendance

Ms. Si-Jia Li and Ms. Celine Cho.

Apologies

Dr. Mark Shying.

2. Minutes of Previous Meeting

The minutes of the 1st APES GN 21 Valuation Service Taskforce meeting held on 12th May 2011 were accepted without amendment.

3. Proposed Revised APES 225

(i) Definition of Limited Scope Valuation Engagement and Valuation Engagement

Mr. Brendan Halligan explained to the other taskforce members his proposed approach in relation to distinguishing between a Valuation Engagement and a Limited Scope Valuation Engagement. The following matters were considered by the taskforce:

1. Practical issues in distinguishing between Valuation Engagement and Limited Scope Valuation Engagement considering that majority of Valuation Services have inherent restrictions or limitations; and
2. Factual scenarios to distinguish between a Limited Scope Valuation Engagement and a Valuation Engagement.

The taskforce members discussed the proposed approach and agreed that:

- 'Materiality' concept can be removed as APES 225 does not define 'materiality';
- The element of 'freedom' added to the definition to indicate that the restriction imposed should affect or would reasonably expected to affect the Member's freedom to choose the Valuation Approaches, Valuation Methods and Valuation Procedures the Member considers to be appropriate; and
- Clarification to be added that limitations within a Limited Scope Valuation Engagement can occur either at the time of signing the engagement letter or subsequently during the engagement.

Action item: Mr Brendan Halligan to revise the proposed APES 225 based on the taskforce discussions for the next taskforce meeting.

(ii) Amendments to Paragraph 4 in APES 225

The taskforce agreed that additional requirements in respect of Terms of Engagement should be inserted after paragraph 4.1 which are specific to valuation services.

Action Item: Mr Brendan Halligan will revise paragraph 4 to include the additional disclosures to the Terms of Engagement.

(iii) Issues with Examples in APES 225

Taskforce members raised the following issues in relation to the examples in APES 225:

- Lack of a contents table for the examples; and
- Lack of examples on Calculation Engagements.

Taskforce members also noted that the limitations/restrictions in respect of a Valuation Engagement which will lead it to become a Limited Scope Valuation Engagement may include but is not limited to lack of time and/or limited information.

Action Items: Mr. Brendan Halligan will provide example(s) on a Calculation Engagement in APES 225 and circulate the example(s) to the Taskforce members for consideration.

APESB technical staff will produce a contents table to categorise the examples in APES 225 into Not a Valuation Service, Valuation Engagement, Limited Scope Engagement and Calculation Engagement.

4. Revised Project Proposal for Valuation Guidance Notes Project

Mr. Richard Stewart had revised the initial project proposal presented to the Board and updated the taskforce with regard to the amendments made.

The Chairman noted that each of the Guidance Notes should be linked back to APES 225 with a scope section and additional paragraphs inserted to reflect the different issues associated with different types of Valuation Engagements.

It was proposed that a draft of APES GN 21 be prepared in accordance with the APESB drafting conventions with additional paragraphs specifically related to Valuation Services for Financial Reporting.

Action Item: APESB Technical Staff will redraft the proposed GN and circulate the revised version to the taskforce members.

5. Close of meeting

The next meeting of the taskforce will be convened at a date to be determined.