

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 3<sup>rd</sup> MEETING OF THE APES GN 21 VALUATION SERVICES TASKFORCE**  
**20 July 2011 10.30 – 11:40 AM**  
**Teleconference**

**1. Present and Apologies**

Present

Mr. Channa Wijesinghe (Chairman), Mr. Alan Max, Mr. Richard Stewart, Mr. Brendan Halligan and Mr. Mark Pittorino (till 11.00 AM) and Dr. Mark Shying.

In Attendance

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

**2. Minutes of Previous Meeting**

The minutes of the 2<sup>nd</sup> APES GN 21 Valuation Service Taskforce meeting held on the 15<sup>th</sup> of June 2011 were accepted without amendment.

**3. Proposed Revised APES 225**

(i) Proposed Amendments to the APES 225

Mr. Brendan Halligan explained his proposed amendments to the definitions of Valuation Engagement and Limited Scope Valuation Engagement to the taskforce:

- The key distinguishing factor between Limited Scope Valuation Engagement and Valuation Engagement is the degree of freedom available to the Member to choose the Valuation Approaches, Valuation Methods and Valuation Procedures that the Member considers to be appropriate; and
- The definition of Valuation Engagement to be amended to take into account:
  - That a Valuation Engagement may become a Limited Scope Valuation Engagement due to subsequent changes in the circumstances of the engagement; and
  - The requirement to inform clients and document the potential limitations/restriction in the Terms of Engagement.

Taskforce members agreed to the following amendments:

- Paragraph 2
  - The definition of Valuation Engagement and Limited Scope Valuation Engagement to be amended to factor in the "reasonable person" objective test instead of relying on the member's subjective judgement in a Valuation Engagement;
- Paragraph 4.2
  - 'Materiality' in paragraph 4.2 (c) to be deleted and replaced with wording to infer reasonableness;
- Paragraph 4.5
  - The word 'reasonable grounds' to be added to paragraph 4.5 to ensure consistency with the ASIC regulatory guide;
- Paragraph 5
  - Paragraph 5.2 (h) to be amended in relation to 'Premise of Value' and this term to be added to paragraph 2 definitions;
  - Paragraph 5.2 (k) amended as per Brendan's suggestion by adopting a similar approach to US standards; and
  - Paragraph 5.2 (l) will remain unchanged as per original standard.

(ii) Issues with the Examples in Appendix 1

The Taskforce members discussed and agreed to the following amendments:

- The last sentence at the bottom of the schematic diagram will be deleted;
- Editorial amendments to Example 2 to be aligned with the editorial change in paragraph 4.2 on “materiality”;
- Additional example to be inserted between example 3 and 4 to demonstrate a situation where a Valuation Engagement may subsequently become a Limited Scope Valuation Engagement; and
- Editorial changes to example 7.

Action Item:

Mr. Brendan Halligan will work with the APESB Technical Staff to revise APES 225.

#### **4. Proposed Guidance Note Format for Valuation for Financial Reporting**

The following issues were considered by the taskforce members:

- Paragraph 1 Scope and application section will be amended to limit GN 21’s application to AASB 136 – Impairment of Asset and AASB 138 – Intangible asset only and exclude from its application to AASB 2 – Share-based Payment and AASB 139 – Financial Instruments: Recognition and Measurement. A paragraph to this effect should be inserted in Paragraph 1.9 and reflected also in the definition of Valuation Engagement for Financial Reporting;
- Paragraph 5.4 be amended from “should” to “consider. Also paragraphs 5.3 and 5.4 should be amended in a similar fashion to make reference to “assumptions on growth in revenue and business expenses”.

The Chairman noted that the purpose of GN 21 is to demonstrate to the Board why such a guidance note is useful, especially for small to medium practices, and its linkages with APES 225.

Action Item:

APESB Technical Staff will redraft the proposed GN 21 as per the taskforce discussion above and circulate the revised version to the taskforce members.

#### **5. Way Forward**

APESB technical staff and taskforce member Brendan Halligan will perform editorial changes to APES 225 and GN 21 as discussed and thereafter circulate the revised versions.

#### **6. Closing of Meeting**