

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 4th MEETING OF THE APES GN 21 VALUATION SERVICES TASKFORCE
7 November 2011 10.30 – 11:30 AM
Teleconference

1. Present and Apologies

Present

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

In Attendance

Ms. Si-Jia Li

Apologies

Mr Harley McHutchison (Board Member)

2. Minutes of Previous Meeting

The minutes of the 3rd APES GN 21 Valuation Service Taskforce meeting held on the 15th of June 2011 were accepted with minor editorial amendments.

3. Proposed Revised APES 225

The Chairman introduced Mr Jim McDonald to the taskforce. Jim will be IPA's nominee on the taskforce. Jim provided the taskforce with his background and experience in this area.

(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 test contained within the definition became a subjective test where 'Member considers' is adopted. Taskforce members raised some concern over the subjective test and preferred the objective test.

Action item 1: Adopt an objective test and remove the words 'Member considers' from the definition of Valuation Engagement and Limited Scope Valuation Engagement.

- "Significant impact"
 - The taskforce discussed the phrase 'significant impact' and questioned whether it is still necessary given that the "subjective test" in the relevant definitions will be changed to an "objective test". Furthermore, Members may not understand the terminology of 'significant impact', and the definition of 'materiality' should be used instead.

Action item 2: Remove the phrase 'significant impact' and use 'materiality'. Mr. Brendan Halligan and Mr. Jim McDonald to provide additional drafting suggestions to rephrase the definition of Limited Scope Valuation Services.

- Paragraph 4.5

- Taskforces agreed to the amendment in paragraph 4.5 to replace the word 'ensure' with 'provide'.
- Taskforce members agreed to the following changes in 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 (j) add the wording 'and Valuation Methods' added to clarify to Members that both the Valuation Approaches and Valuation Methods must be included in the Valuation Report; and
 - Paragraph 5.2 (k) amended as per Brendan's suggestion by adopting a similar approach to the US standards.

(ii) Appendix 1

The Taskforce members discussed and agreed to the following amendments:

- Minor editorials to the first sentence of Appendix 1.
- Based on discussions above, where relevant, change the wording 'significant impact' to 'material' in the examples contained in Appendix 1.

Action Item 3: Technical staff will amend Appendix 1 to reflect the discussion above.

4. Proposed Guidance Note Format for Valuation for Financial Reporting

The Chairman provided an update to the taskforce on the changes in APES GN 21. Some of the changes relate to amendments made subsequent to a review of IVS 300 Valuation for Financial Reporting issued by the IVSC. Some taskforce members raised the issue that IVS 300 deals more with tangible assets rather than business valuations. The Chairman noted that the purpose of GN 21 is to demonstrate to the Board why such guidance note is useful, especially for small to medium practices, and that similar guidance exists internationally.

Action Item 4: APESB Technical Staff will redraft the proposed GN 21 to incorporate the amendments to the definitions of APES 225 as discussed above.

Action Item 5: Paragraph 4.3 - change 'Basis of value' to 'Premise of Value'.

5. Way Forward

APESB technical staff will table the APES 225 ED and Proposed GN 21 at the November 2011 Board Meeting. Taskforce members Richard Stewart, Brendan Halligan and Jim McDonald agreed to attend the Board meeting.

6. Closing of Meeting