

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**2nd Taskforce Meeting of APES GN 21 *Valuation Services for Financial Reporting*****MINUTES**

**13th July 2015, Monday
3.30 p.m – 5.00 p.m.**

Teleconference**1. Present and Apologies**Present:

Mr. Channa Wijesinghe (Chairman), Mr. Richard Stewart, Mr. Tapan Parekh, Mr. Brendan Halligan, Mr. Alan Max and Dr. Eva Tsahuridu.

In Attendance:

Mr. Stuart Black (Board Member) and Ms Saras Shanmugam.

2. Introduction

The Chairman welcomed Mr. Stuart Black as the Board Member allocated to the taskforce who replaces Mr. Harley McHutchison upon Mr. McHutchison's retirement from the Board.

3. Minutes of Previous Meeting

The minutes of the 1st APES GN 21 *Valuation Services for Financial Reporting* taskforce meeting held by teleconference on 23rd January 2015 was accepted with no amendments.

4. Amendments to the proposed APES GN 21Scope and application

The Chairman informed the taskforce that an objectives paragraph will be developed and included in the proposed APES GN 21 exposure draft (APES GN 21) in a similar manner to paragraph 1.1 in the revised APES 225 *Valuation Services* (APES 225).

A taskforce member enquired whether paragraph 1.3 is redundant since APES GN 21 does not apply to other standards besides the key sections included in the guidance note and it extends the remit of APES GN 21. Some taskforce members were of the view that the paragraph was a helpful inclusion as it clarifies that APES GN 21 does not apply to Valuation Services performed in respect of AASB 102 *Inventories*, AASB 116 *Property, Plant and Equipment*, AASB 119 *Employee Benefits* and AASB 141 *Agriculture*. The taskforce considered the matter and agreed to remove paragraph 1.3.

Scope of Valuation Services for Financial Reporting

A taskforce member enquired why the term 'should' was used in paragraphs 4.1 and 4.3 when these paragraphs were referring to a Member's mandatory professional obligations in respect of section 4 *Professional Engagement and other matters* and section 3 *Professional competence and due care* in APES 225. The taskforce discussed and agreed to redraft both paragraphs to ensure that any professional and ethical requirements in APES 225 are not diminished.

The taskforce discussed the references made to AASB 13 *Fair Value Measurement* in paragraphs 4.3 (ii) and 5.9. The Chairman informed the taskforce that the fair value measurement framework is now set out in a single standard i.e. AASB 13. The taskforce considered whether the references to AASB 13 should be retained in these paragraphs and determined to remove the references.

Reporting and Disclosure obligations for Valuation Services for Financial Reporting

A taskforce member proposed that the term 'obligation' should be removed from the title and paragraph 5.1, and the taskforce agreed with the suggestion.

In addition the taskforce considered the following matters and agreed to:

- enhance the clarity of paragraph 5.1;
- remove the term 'purchase price allocations' from the title of subsection *Business combinations*, and paragraph 5.4;
- to link the preamble sentence in paragraph 5.4 and paragraphs 5.7 to 5.10 with the professional and ethical requirements of section 5 *Reporting* in APES 225 by including a phrase along the lines of 'a Member is obliged to consider disclosing the following matters, amongst other things when providing a Valuation Report in respect of ...';
- Retain the term 'technique' in the 4th bullet point of paragraph 5.9 as it was consistent with the terminology used in AASB 13.

5. Superannuation entities (paragraph 5.10)

A taskforce member explained that the drafting of the new subsection on *Superannuation entities* was focused on matters to be included in a Valuation Report and is in accordance with the requirements of paragraph 5.2 (h) in APES 225.

The Chairman informed the taskforce that Technical Staff will incorporate the proposed amendments in APES GN 21. The taskforce agreed that since these amendments were minor editorials, that the taskforce can perform the final review by e-mail circulation.

6. APES 225 Annual Review

Scope and application

The Chairman informed the taskforce that the objectives paragraph 1.1 was included as this is a practice that has been recently adopted by the Board. The Chairman encouraged the taskforce to provide comments on the proposed objectives via e-mail.

Documentation

The Chairman explained that during the development of APES GN 20 *Scope and Extent of Work for Valuation Services*, a taskforce member noted that there was an important paragraph in respect of obtaining representations from relevant parties as evidence to support the Valuation Service performed by a Member in Public Practice in APES GN 20, which was better placed in APES 225. Subsequently this issue was raised on the APESB's Issues Register. Accordingly, Technical Staff has addressed this matter by including the proposed paragraphs 6.2 and 6.3 in the APES 225 Exposure Draft for the taskforce's consideration. The taskforce discussed the benefits of obtaining a management representation from a client and agreed to:

- re-locate these paragraphs to after paragraph 4.5; and
- consider these paragraphs once a taskforce member has reviewed the proposed drafting.

Professional Engagement and other matters

A taskforce member noted that there were practical issues encountered by Members in Public Practice in respect of paragraph 4.2 (a) of APES 225 and its application when the Member perform services on a retainer arrangement.

The Chairman informed the taskforce that APES 305 *Terms of Engagement* caters for retainer arrangements and suggested that APES 225 can incorporate a specific point to deal with these retainer arrangements. The taskforce member proposed to provide amendments that would provide flexibility to cater for these arrangements.

Another taskforce member noted that the term 'Terms of Engagement' used in paragraphs 4.1 and 4.2 was inconsistent with APES 305. The Chairman explained that the conditions of an engagement's terms can be communicated in any form and the term 'Engagement Document' is defined in APES 305 as *the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in written form*. The taskforce considered the matter and agreed to replace the term 'Terms of Engagement' in paragraph 4.2 with 'Engagement Document'.

7. Way forward

A taskforce member will:

- propose enhancements to paragraph 4.2 (a) of APES 225 that would provide flexibility to cater for retainer arrangements; and
- review the drafting of paragraphs 6.2 and 6.3, and Technical Staff will relocate these paragraphs to after paragraph 4.5.

APESB Technical Staff will:

- develop an objectives paragraph 1.1 in APES GN 21;
- update the APES GN 21 and APES 225 by incorporating the taskforce's comments;
- circulate the updated APES GN 21 and APES 225 for the taskforce's consideration; and
- present the revised APES 225 at the August 2015 Board Meeting for a preliminary review by the Board.

8. Close of Meeting

The meeting was closed at 5 p.m.