

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**

**3<sup>rd</sup> Taskforce Meeting of APES GN 21 *Valuation Services for Financial Reporting***

**MINUTES**

**9<sup>th</sup> May 2016, Monday**

**4.00 p.m – 4.50 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. Minutes of Previous Meeting**

The minutes of the 2<sup>nd</sup> APES GN 21 *Valuation Services for Financial Reporting* taskforce meeting held by teleconference on 13<sup>th</sup> July 2015 was accepted with no amendments.

**3. General comments analysis**

The taskforce noted the summary of respondents' key issues, and Technical Staff's analysis and proposed recommendations to address these key issues. The taskforce considered the following matters:

Development of APES GN 21

The taskforce discussed the two contradictory views of the respondents to APES GN 21's development as a guidance note. One respondent supported its development and was of the view that the guidance note should have been developed as a professional standard. Whereas, the other respondent perceived that the subject matter included in the proposed APES GN 21 was not within APESB's mandate. The respondent noted that the guidance note appeared to focus on providing professional knowledge rather than addressing professional and ethical obligations.

Two taskforce members were of the view that the guidance note could be considered to be technical in nature and may be beyond APESB's remit. The rest of the taskforce members were of the view that the proposed APES GN 21 was useful as it:

- provides useful guidance to Members who perform Valuations for Financial Reporting to demonstrate their professional competence; and
- benefits small and medium practices that generally lack the internal resources to generate similar guidance.

The Chairman informed the taskforce that the two opposing views will be reflected in the Technical Staff's paper to the Board. The Board Member noted that the matter will be discussed at the upcoming Board Meeting and it is a matter for the Board's consideration.

#### **4. Specific comments analysis**

##### Scope and application

Taskforce members agreed with Technical Staff's analysis that the scope and application of the proposed APES GN 21 is limited to Valuation Services for Financial Reporting in respect of estimating the value of business, business ownership interest, security or intangible assets.

##### Definitions

Taskforce members agreed that where possible the definitions in the proposed APES GN 21 should be cross-referenced to the defined terms in the Australian Accounting Standards as it is not practical to update these definitions on a regular basis.

##### Scope of Valuation Services for Financial Reporting

A taskforce member was of the view that the guidance in section 4 *Scope of Valuation Services for Financial Reporting* of APES GN 21 is already included in APES 225 *Valuation Services*. However, the majority of taskforce agreed to retain this section as it provides useful guidance for Members who perform Valuation Services for Financial Reporting. The taskforce also discussed paragraph 4.3 and agreed:

- to delete the phrase 'contemporary and emerging' in subparagraph 4.3 (iv); and
- to clarify paragraph 4.3 by elaborating that the guidance relates to matters a Member in Public Practice may consider when providing a Valuation Service for Financial Reporting particularly in respect of a Valuation Engagement (i.e. rather than a Limited Scope Valuation Engagement or Calculation Engagement where it is likely to be less relevant).

##### Disclosure of applicable Australian Accounting Standards and definition of value used

Taskforce members agreed to proposed amendments in paragraph 5.3. Additionally, the taskforce agreed to provide further guidance in paragraph 1.3 by stating that APES GN 21 does not set out the requirements of applicable Australian Accounting Standards.

##### Reporting and Disclosures for Valuation Services for Financial Reporting

A taskforce member enquired whether the proposed amendments to paragraphs 5.4, 5.7 to 5.10 clarify that these paragraphs may include mandatory requirements. The Chairman informed the taskforce that the proposed amendments to these paragraphs mean that the Members need to consider these matters subject to paragraph 5.1 which then refers to the mandatory reporting and disclosure obligations in section 5 of APES 225.

#### **5. Way forward**

APESB Technical Staff will:

- consider the taskforce's comments and where appropriate, update the proposed APES GN 21;
- circulate the updated proposed APES GN 21 for the taskforce's final review comments; and
- present the updated APES GN 21 at the 31<sup>st</sup> May 2016 Board meeting for the Board's consideration.

#### **6. Close of Meeting**

The meeting was closed at 4.50 p.m.