



Annual Review of APES 225 *Valuation Services*

Prepared by
Channa Wijesinghe
Rob Nickel

1 May 2013

1. Executive Summary

1.1. Background

Accounting Professional and Ethical Standards Board (APESB) issued APES 225 *Valuation Services* (the Standard) in July 2008, and the revised Standard in May 2012 with an effective date of 1 September 2012.

1.2. Reason for this report

In accordance with APESB's constitution, an Annual Review needs to be performed on each professional standard. This report presents a review of the issues reported to APESB and proposed recommendations to address the identified issues.

1.3. Issues identified

The concerns identified by stakeholders are summarised below:

1. Minor editorial comments in relation to the Standard. Details of proposed changes are provided in the body of this report.
2. Alleged inconsistency between paragraph 4.2(f) of the Standard which requires Members in Public Practice to include a statement that the Valuation Service was conducted in accordance with this Standard, whereas paragraph 5.2(r) only requires clear communication.

1.4. Summary of Recommendations

The following is a summary of the recommendations or actions proposed in respect of the identified issues.

1. Amend relevant sections in accordance with the stakeholder's suggestions at the next revision of APES 225.
2. No further action necessary as paragraph 5.2 has been drafted to facilitate oral reports whilst the Terms of Engagement will always be in a written form.

2. Review of Issues

2.1 *Minor editorial comments to the sections of the Standard*

Issue

A stakeholder raised minor editorial comments in relation to the following sections of the standard:

- Definitions – 'Valuation Services' should be in italics;
- Paragraph 3.2 – second line 'and' should not be in italics; and
- Paragraph 5.3 – last line 'Quality Control for Firms' should be in italics.

Analysis of issue

Technical Staff have reviewed the Standard and agree with the proposed editorials.

Impacted Stakeholders

Members in Public Practice, Firms and professional accounting bodies

Recommendation

As these are minor editorial matters it is recommended that the Board approve these editorial changes and then these revisions can be done when APES 225 is revised next.

2.2 *Inconsistency of the requirements in Section 4 and 5 of the Standard*

Issue

A stakeholder has noted that paragraph 4.2(f) of the Standard requires Members in Public Practice to include a statement that the Valuation Service was conducted in accordance with the Standard whereas paragraph 5.2(r) only requires clearly communicating that the Valuation Service was conducted in accordance with this Standard.

Analysis of issue

Section 4 of the Standard refers to the Terms of Engagement whereas Section 5 refers to the Reporting on the Engagement following its completion. Paragraph 4.2(f) requires a statement that the Engagement will be conducted in accordance with the Standard. Paragraph 5.2(r) then requires clear communication that this was in fact the case. The reason that in paragraph 5.2 it is described as "communication" rather than a statement is that the Member's report may be delivered orally in accordance with this Standard (i.e. fast moving acquisition or merger).

Impacted Stakeholders

Members in Public Practice, Firms and professional accounting bodies

Recommendation

No further action necessary as paragraph 5.2 has been drafted to facilitate oral reports whilst the Terms of Engagement will always be in a written form.