

28 March 2018

APESB issues revised APES 225 *Valuation Services*

Accounting Professional & Ethical Standards Board Limited (APESB) today announced the issue of the revised APES 225 *Valuation Services* (APES 225) to replace the existing APES 225 (Issued December 2015).

The key changes in the Revised APES 225 consist of additions of:

- a requirement to disclose the standard of value used in the Valuation and its definition in the Valuation Report; and
- an example relating to the Valuation of intellectual property in Appendix 1 *Schematic and Examples*.

Please refer to Appendix 1 of this technical update for details of all the revisions. The Revised APES 225 will be effective for Valuation Engagements or Assignments commencing on or after 1 July 2018 with early adoption permitted.

The revised standard is available from APESB's website: www.apesb.org.au

– ENDS –

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Appendix 1

Revision to APES 225 (Issued December 2015)

Accounting Professional & Ethical Standards Board Limited (APESB) has approved the following revisions to APES 225 *Valuation Services* which was originally issued in July 2008 and revised in May 2012 and December 2015.

Paragraph Reference	Revisions
1.2	Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 225 Valuation Services (the Standard), which is effective for Valuation Engagements or Assignments commencing on or after <u>1 July 2018</u> 1 April 2016 and supersedes APES 225 issued in <u>December 2015</u> May 2012 . Earlier adoption of this Standard is permitted.
2.	Premise of Value means an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation, e.g. going concern or liquidation.
5.2	<p>Where a Member in Public Practice prepares a written Valuation Report in respect of a Valuation Service, the Valuation Report shall clearly communicate:</p> <ul style="list-style-type: none"> (a) The name of the party engaging the Member; (b) A description of the business, business ownership interest, security or intangible asset being valued; (c) The date at which the value has been determined; (d) The date on which the Valuation Report has been issued; (e) The purpose for which the Valuation Report has been prepared; (f) The name and qualifications of the Member(s) responsible for the Valuation; (g) The scope of the Valuation, including any limitations or restrictions; (h) <u>The standard of value used in the Valuation and its definition;</u> (i)(h) The Premise of Value adopted in the Valuation (e.g. going concern premise or liquidation premise); (j)(i) Whether the Valuation was undertaken by the Member acting independently or not; (k)(j) The Valuation Approach(es), Valuation Method(s) and Valuation Procedures adopted in determining the estimate of value and a description of how they were applied; (l)(k) The specific information on which the Member has relied and the extent to which it has been reviewed (e.g. the documents reviewed, the individuals interviewed, the facilities visited, the reports of other experts relied upon, and management representations); (m)(l) A description of the material assumptions applied in the Valuation and the basis for those assumptions; (n)(m) A Conclusion of Value for a Valuation Engagement or a Limited Scope Valuation Engagement, or a Calculated Value

Paragraph Reference	Revisions	
	<p>for a Calculation Engagement;</p> <p>(o)(n) All qualifications that materially affect the Conclusion of Value or Calculated Value;</p> <p>(p)(e) For a Limited Scope Valuation Engagement, that if a Valuation Engagement had been performed the results may have been different;</p> <p>(q)(p) For a Calculation Engagement, that if a Valuation Engagement had been performed the results may have been different;</p> <p>(r)(q) Where a Member has prepared a Valuation Report requiring Independence or purporting to be independent, that the compensation to be paid to the Member is not contingent on the conclusion, content or future use of the Valuation Report; and</p> <p>(s)(r) That the Valuation Service was conducted in accordance with this Standard.</p>	
Appendix 1	Examples	
<i>list of examples</i> <u>10</u>	<u>Valuation of intellectual property for a Client</u>	<u>Valuation Engagement</u>
<i>list of examples</i> <u>1140 – 2423</u>	Items 10 – 23 remain unchanged in the list of Examples but renumbered as items 11 – 24.	
<u>Example 10</u>	<p><u>Valuation of intellectual property for a Client</u></p> <p><u>Facts:</u> A Member in Public Practice is engaged to perform a Valuation of the intellectual property of a Client, which the Client uses internationally. There is no restriction or limitation placed on the Member in terms of choosing the appropriate Valuation Approaches, Valuation Methods, and Valuation Procedures to perform the Valuation. The Member considers that the extent to which the intellectual property is protected by law in the countries in which it is used is material to the Valuation. The Client has informed the Member that it has not obtained legal advice to determine the strength of its legal rights over the intellectual property in each jurisdiction. The Client has instructed the Member to assume that the Client has legally enforceable rights in each jurisdiction.</p> <p><u>Analysis:</u> This is a Valuation Service. The Member in Public Practice has been engaged to perform a Valuation and to provide a Valuation Report. The Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures the Member deems appropriate. Accordingly, this is a Valuation Engagement. However, the Valuation Report must disclose the material assumption the Member is instructed to make regarding the status of the legal rights over the intellectual property.</p>	
Example <u>1140</u> – Example <u>2423</u>	Examples 10 – 23 in extant Appendix 1 remain unchanged but renumbered as Examples 11 - 24	
Appendix 2	Summary of revisions to the previous APES 225 (Issued in December 2015) - amended	