

## AGENDA PAPER

**Item Number:** 19  
**Date of Meeting:** 8-9 May 2013  
**Subject:** GN 20 *Scope and Extent of Work for Valuation Services*

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**Action Required**

**For Information Only**

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### Purpose

To obtain the Board's direction on the way forward in respect of Guidance Note APES GN 20 *Scope and Extent of Work for Valuation Services*.

### Background

APESB issued APES 225 Valuation Services (APES 225) in July 2008 with an effective date of 1 January 2009. APES 225 sets out mandatory requirements and guidance for Members who provide Valuation Services. In May 2012 APESB issued a revised version of APES 225 which clarifies the three different types of Valuation Engagements and also incorporated additional examples to demonstrate the distinction between the three types of engagements.

ICAA's Business Valuation Special Interest Group (BVSIG) has proposed that APESB develop Guidance Notes to further assist valuation practitioners. In January 2011 it was proposed that the first guidance note should be focused on Valuations for Financial Reporting, due to the convergence of International Financial Reporting Standards (IFRS) and the ensuing demand for related services.

In completing the first draft of the proposed APES GN 21 *Valuations for Financial Reporting* (re-numbered) a further need was identified to provide valuation practitioners guidance that would assist them in determining the appropriate type of Valuation Report to produce, based on the particular circumstances of the Valuation Service, and that this guidance should be issued ahead of the proposed *Valuations for Financial Reporting* guidance note.

The proposed APES GN 20 *Scope and Extent of Work for Valuation Services* (APES GN 20) aims to provide further guidance to members to comply with the requirements of APES 225 *Valuation Services*. APES GN 20 is based on a Practice Bulletin developed by the Canadian Institute of Business Valuators (CICBV) in September 2012 which is titled *Guidance on Types of Valuation Reports*.

ED 04/12 GN 20 *Scope and Extent of Work for Valuation Services* was released for public comment in September of 2012. Responses were received from the Joint Accounting Bodies as well as three accounting firms.

A Taskforce meeting was held in February 2013 to analyse and work through the feedback from respondents. Some of the Taskforce members are concerned that the proposed APES GN 20 contains technical guidance and thus whether its issuance is beyond APESB's mandate. The Taskforce recommended that Technical Staff seek direction from the Board on the way forward on this project.

### **Consideration of Issues**

At the February 2013 meeting, taskforce members discussed the capacity of the guidance note to assist Members in the application of APES 225. It was noted that it is imperative that guidance notes serve to add value and assist Members in applying provisions of APES 225 and not otherwise create new obligations. The Taskforce further discussed the possibility of the guidance note imposing unintended mandatory requirements on Members due to the Court's interpretation of any material released by APESB as constituting authoritative standards for Members. Some members of the Taskforce were of the view that, in the case of litigation, the Court has been known to hold Members accountable for guidance material and not just standards.

The Taskforce resolved to seek direction from the Board on the way forward with this project. Technical Staff invited Taskforce members to put forward their views on the appropriateness of the guidance note. Technical Staff also prepared a position paper on the key issues.

### **Staff Recommendation**

The Board consider Taskforce views and the Technical Staff Position Paper, and provide direction on the appropriateness of the proposed guidance note

### **Material Presented**

- Attachment 18 (a) Proposed GN 20 *Scope and Extent of Work for Valuation Services* (marked up);
- Attachment 18 (b) Proposed GN 20 *Scope and Extent of Work for Valuation Services* (clean version);
- Attachment 18 (c) General Comments Table;
- Attachment 18 (d) Specific Comments Table;
- Attachment 18 (e) Draft Minutes of 8<sup>th</sup> Meeting of *Valuation Services* Taskforce;
- Attachment 18 (f) Letter from Brendan Halligan APES GN 20 Taskforce member on the Guidance Note (Confidential);
- Attachment 18 (g) Letter from Richard Stewart Chairman of BVSIG and APES GN 20 Taskforce member in response to letter from Brendan Halligan (Confidential);
- Attachment 18 (h) Technical Staff Position Paper;
- Attachment 18 (i) CICBV Practice Bulletin No. 3: Guidance on Types of Valuation Reports; and
- Attachment 18 (j) Correspondence between other Taskforce members on the Guidance Note (Confidential).

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