

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED
MINUTES OF THE 8th MEETING OF THE VALUATION SERVICES TASKFORCE

12 February 2013 2.00 – 3.45 PM

Teleconference

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr Richard Stewart, Mr Alan Max, Mr Jim McDonald, Mr Tapan Parekh (alternate to Mr Mark Pittorino) and Mr Brendan Halligan.

In Attendance

Mr Harley McHutchison (APESB Board Member), Mr Robert Nickel and Ms Margareth Lioe.

Apologies

Dr Mark Shying

2. Minutes of Previous Meeting

The minutes of the 7th Valuation Services Taskforce meeting held by teleconference on 9 August 2012 were accepted without amendments.

3. Discussion of respondents' comments on APES GN 20 ED

The Taskforce discussed the following matters in respect of the respondents' comments APES GN 20 ED:

- Clarification on guidance note versus standard

The respondents raised concerns over the use of language in the guidance note that could be interpreted as establishing a standard rather than a guidance note. The Chairman informed the Taskforce that a similar issue was raised by respondents of APES GN 30. Technical Staff proposed an additional paragraph in the 'Scope and application' section to clarify that APES GN 20 is guidance. The Taskforce was of the view that it is necessary to differentiate the intention of the guidance note from that of a standard so the wording chosen should present advisory material and not additional obligatory requirements. The Taskforce thus requested Technical Staff to revise the proposed paragraph to avoid reference to 'best practice guidance'. The Taskforce further agreed to amend Paragraph 1.5 to "The Guidance Note is not intended to detract from, or add to any requirements..." to clarify the intent of the guidance note.

The Taskforce 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.

Some of the Taskforce members are concerned that the proposed APES GN 20 contains technical guidance and thus whether it is within APESB's mandate to issue the Guidance Note. It was agreed that the Board's direction would be sought whether it is appropriate for the APESB to issue the Guidance Note.

- Duplication of definitions used in APES 225

In respect of duplication of definitions used in APES 225, the Taskforce was informed that the 'Definitions' section are standard across all APESB pronouncements and that APES GN 20 is not an exception. The Taskforce was of the view that the definition of "AASB" and "Australian Accounting Standards" are not necessary in the context of APES GN 20 and decided to remove definitions of both terms from APES GN 20.

- Use of the term 'corroboration'

The Taskforce agreed with respondents' comments that corroboration is a term not appearing in APES 225 and was of the view that similar wording should be used as in APES 225. Technical Staff will consider the wordings used in Paragraph 4.5 of APES 225 to be used in the guidance note to maintain consistency with the Standard.

The Taskforce further suggested revising Paragraph 4.4 and 4.6, and linking the two together. The Taskforce was of the view that Members have the freedom to choose the appropriate Valuation Approaches, Valuation Methods and Valuation Procedures and Paragraph 4.4 serves to provide useful guidance for Members. The Taskforce agreed to modify paragraph 4.10 to focus on evidence gathering and not for the purpose of verification/corroboration.

- Use of the term 'comprehensive'

The Taskforce discussed options either to define the term 'comprehensive' in the guidance note or to use the wordings used in the same context in APES 225.

The Taskforce further discussed the following amendments in respect of the relevant paragraphs of the proposed guidance note:

- a) Paragraph 4.6 – to add another row to the top of the table and group:
 - i. 'Economic Environment' and 'Industry Context' as 'External Environment';
 - ii. 'Company Specific Non-Financial Information' and 'Company Specific Financial Information' as 'Internal Environment'; and
 - iii. 'Valuation Context' and 'Valuation Assessments' as 'Valuation Approaches, Methods and Procedures'.
- b) Paragraph 5.1 – One Taskforce member raised concern over Members' judgement to determine the type of Valuation Service appropriate for their Clients. The Member/Valuer determines the fitness for purpose of the Valuation Service. The Taskforce member was of the view that should Members lack knowledge about the purpose of the Valuation Report, determining the fitness for purpose would be problematic. The Taskforce member suggested that Members should inform Clients about the availability and nature of the 3 types of Engagements.

The Taskforce suggested modifying Paragraph 5.1 to be consistent with Paragraph 4.3 to suggest that the appropriateness of a Valuation Service will depend on the nature and sufficiency of work performed in connection with the conclusions expressed.

- Relevance of Paragraph 5.6 of APES GN 20

The Taskforce resolved to remove Paragraph 5.6 of APES GN 20 following the removal of the similar paragraph from the "*Guidance on Types of Valuation Reports*" by the CICBV. The Taskforce determined that the removal of Paragraph 5.6 will not create significant impact to the objective and intent of APES GN 20.

5. Way Forward

APESB Technical Staff will incorporate the amendments suggested by the Taskforce members and circulate the revised ED for the Taskforce's consideration.

Prior to doing further work on the guidance note, Technical Staff will seek the Board's direction on the way forward for this guidance note. Taskforce members who have concerns over the guidance note were invited to write to the Board. The proposed guidance note will be discussed at the May 2013 Board meeting.

6. Closing of Meeting

The meeting was closed at 3.45 PM.

DRAFT