



Six Month Review of APES GN 20 Scope and Extent of Work for Valuation Services

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Background to Standard

Accounting Professional and Ethical Standards Board (APESB) issued APES GN 20 *Scope and Extent of Work for Valuation Services* (APES GN 20) in December 2013. APES GN 20 provides guidance to assist Members on the application of APES 225 *Valuation Services* (APES 225) in determining the scope and extent of work that, depending on the particular circumstances, may be appropriate for the three types of Valuation Service defined in section 2 of APES 225.

Reason for this report

In accordance with APESB's constitution, a six month review should be performed subsequent to an issue of a pronouncement in order to identify any issues reported by stakeholders. This report presents a review of the issues either reported to APESB or identified by an internal technical review and the proposed recommendations to address those issues.

Review of Issues

1. Clarity between a 'Limited Scope Valuation Engagement' and an 'indicative valuation engagement'

Issue

A stakeholder has sought clarity in respect of the reference made to 'indicative valuation engagement' in the definition of 'Limited Scope Valuation Engagement' in APES 225 Valuation Services (APES 225).

All definitions in APES GN 20 are consistent with APES 225. The stakeholder was of the view that the reference to indicative valuation engagement may be intended to mean that, as a consequence of any scope limitation, a valuation can only be considered indicative. Alternatively it may be intended to refer to a valuation that is generally not as extensive or robust as that which would be produced pursuant to a Valuation Engagement. The stakeholder noted that APES GN 20 does not assist in understanding the notion of an indicative valuation.

Impacted Stakeholders

Members in Public Practice, Firms and Professional Bodies.

Technical Staff Response

APESB considered the Practice Bulletin No. 3: *Guidance on Types of Valuation Reports* (PB No.3) published by the Canadian Institute of Chartered Business Valuators (CICBV) during the development of APES GN 20. PB No.3 provided guidance on the application of three types of Valuation Reports i.e. Comprehensive Valuation Report, Estimate Valuation Report and Calculation Valuation Report. These

three Valuation Reports are distinguished by the scope of work, the amount of disclosure provided and the level of assurance provided by the conclusion.

The definition of 'Limited Scope Valuation Engagement' in APES 225 was established based on the 'Estimate Valuation Report' (addressed as 'Limited Scope Valuation Engagement' in APES GN 20). Accordingly, the definition of Limited Scope Valuation Engagement in APES 225 and APES GN 20 is consistent with the professional pronouncements issued by CICBV.

The reference to 'indicative valuation engagement' was included in the definition of 'Limited Scope Valuation Engagement' merely as an alternative term as the taskforce at the stated that this was a commonly used term by valuation practitioners in Australia. Further the conclusions in respect of the examples in APES 225 are quite clear that there are only three types of Valuation Services in Australia.

Recommendation

It is recommended that the Board consider exposing this issue for stakeholder consultation when APES 225 is reviewed next. If the stakeholders consider that this term is confusing then the Board can remove the alternative term 'indicative valuation engagement' from the definition of a Limited Scope Valuation Engagement.

2. Defined terms

The internal technical review identified that there will be an impact on section 2 of APES GN 20 which refers to the definitions in APES 225. Some of the definitions in APES 225 require revision due to amendments made to the IESBA's Code and subsequent changes made by APESB to APES 110 *Code of Ethics for Professional Accountants*. These amendments have been reflected in the May 2014 Annual Review of APES 225 *Valuation Services*.