

11 September 2023

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). This standard replaces the existing APES 225 (issued July 2019).

The key changes in the revised APES 225 consist of:

- quality management-related conforming amendments due to the issue of the revised Quality Management standard for non-assurance services (APES 320);
- amendments to paragraph 3.2 to require Members in Business to comply with Section 210 *Conflicts of Interest* of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110);
- alignment of wording in paragraphs 3.11 and 3.13 with Section 114 *Confidentiality* of APES 110 regarding a legal, regulatory or professional duty or right to disclose;
- alignment of paragraph 3.13 that members exercise professional judgement in deciding whether to notify clients, employers or third parties with the intent of Whistleblower protection legislation and APES 110's approach in NOCLAR; and
- paragraphs 4.3 and 4.4 to accommodate future Technology-related revisions (refer below).

In April 2023, the International Ethics Standards Board for Accountants (IESBA) issued technology-related revisions to the IESBA Code, which become effective from 15 December 2024. These revisions will be incorporated in the Australian Code (APES 110) in due course.

Please refer to Appendix 1 of this technical update for details of all the revisions. The revised APES 225 will be effective for Valuation Services commencing on or after 1 January 2024 with early adoption permitted.

The interactive PDF of the amending standard is available from APESB's [website](#).

– ENDS –

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Appendix 1

Revision to APES 225 (Issued July 2019)

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, December 2015, March 2018 and July 2019 (extant APES 225).

Paragraph Reference	Revisions
1.1	<p>The objective of APES 225 Valuation Services is to specify a Member's professional and ethical obligations in respect of:</p> <ul style="list-style-type: none"> • the provision of a Valuation Service to a Client or Employer; • the types of Engagement or Assignment that are a Valuation Service; • matters a Member in Public Practice must address in the Terms of Engagement; • matters to be disclosed in a Valuation Report; and • quality <u>management control</u> and documentation requirements.
1.2	<p>Accounting Professional & Ethical Standards Board Limited (APESB) has revised professional standard APES 225 <i>Valuation Services</i> (the Standard), which is effective for Valuation Services commencing on or after <u>1 January 2024</u> 1 January 2020 and supersedes APES 225 issued in <u>July 2019</u> March 2018. Earlier adoption of this Standard is permitted.</p>
2	<p>Independence comprises:</p> <p>(a) Independence of mind - the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity, and exercise objectivity and professional scepticism.</p> <p>(b) Independence in appearance - the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a Firm's, or an Engagement team member's, integrity, objectivity or professional scepticism has been compromised.</p>
3.2	<p><u>A Member providing a Valuation Service Members in Public Practice shall comply with Section 210 Conflicts of Interest (for Members in Business) or Section 310 Conflicts of Interest (for Members in Public Practice) of the Code.</u></p>
3.11	<p>Unless the Member has a legal, regulatory or professional <u>duty or right to disclose</u> obligation of disclosure, a Member shall not convey any information relating to a Client's or Employer's affairs to a third party without the Client's or Employer's permission.</p>
3.13	<p>Where a Member provides confidential information in accordance with a legal, regulatory or professional <u>duty or right to disclose</u> obligation of disclosure, the Member shall <u>consider whether it is appropriate to inform</u> notify the Client, Employer or relevant third party, <u>either before disclosing the confidential information, or as soon as practicable thereafter</u>, provided that there is no legal prohibition against such notification.</p>
4.3	<p>A Member in Public Practice who is approached by a potential Client to undertake a Valuation Service shall comply with the requirements of <u>Section 300 Applying the Conceptual Framework – Members in Public Practice</u> and Section 320 Professional Appointments of the</p>

Paragraph Reference	Revisions
	Code.
4.4	<u>A Member in Business who is approached by the Member's Employer to undertake a Valuation Service shall comply with the requirements of Section 200 Applying the Conceptual Framework – Members in Business and Section 220 Preparation and Presentation of Information of the Code.</u>
4.5 4.4 - 4.10 4.9	<i>[Paragraphs 4.4-4.9 of the extant Standard remain unchanged but renumbered as paragraphs 4.5-4.10].</i>
5.3	Where a Member in Public Practice communicates the Valuation Report orally, the Member shall communicate the elements noted in paragraph 5.2, as appropriate in the circumstances, and document the oral communication, the reasons for issuing an oral report and the work performed in accordance with this Standard and the Firm's policies and procedures established under <i>Documentation of the system of quality management control</i> of APES 320 <i>Quality Management Control for Firms that provide Non-Assurance Services</i>.
7.2	Members are encouraged to use, as far as practicable, terms that are in general use for Valuation Services. ¹ Members are referred to the <i>International Glossary of Business Valuation Terms</i> which are included in the valuation standards of the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Business Valuers.
Footnote ⁴	<i>For example, the <u>International Valuation Glossary – Business Valuation</u> published by the <u>American Society of Appraisers, Chartered Business Valuers Institute, Royal Institution of Chartered Surveyors and Saudi Authority for Accredited Valuers</u> and the glossary used by the <u>International Valuation Standards Council</u> in the <i>International Valuation Standards</i>.</i>
Appendix 1	Examples - amended
Example 7	<p>Valuation of shareholding for capital gains tax with assumption on the value of all equity</p> <p><i>Facts:</i> A Member in Public Practice is engaged to perform a Valuation of a shareholding in a company for the purpose of capital gains tax and to provide a written report to the Client. The Member is instructed to assume a particular figure for the value of all of the issued share capital of the company.</p> <p><i>Analysis:</i> This is a Valuation Service. The Member has been engaged to perform a Valuation and provide a Valuation Report where the scope of work is limited or restricted in that the Member is instructed to assume the value of all of the issued share capital. Otherwise the Member is free to apply the Valuation Approaches, Valuation Methods and Valuation Procedures the Member considers appropriate in determining an estimate of value of the shareholding. This freedom means the <u>Engagement</u> engagement is not a Calculation Engagement. The Engagement is a Limited Scope Valuation Engagement because the scope of work is limited or restricted.</p>
Example 13	<p>Limited scope Valuation of Employer's business for potential sale</p> <p><i>Facts:</i> A Member in Business is assigned by the Member's Employer to</p>

Paragraph Reference	Revisions
	<p>perform an indicative Valuation of a business owned by the Employer for the purpose of its potential sale and to provide an oral report to the Employer.</p> <p><i>Analysis:</i> This is a Valuation Service. The Member has been assigned to perform a <u>limited scope valuation</u> Limited Scope Valuation and to provide a Valuation Report to the Member's Employer, which constitutes a Limited Scope Valuation Engagement.</p>