



Australian Government

**Australian Accounting
Standards Board**

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The Chairman
IVSC Standards Board
International Valuation Standards Council
1 King Street
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Dear Sir

Exposure Draft *Proposed Amendments to the International Valuation Standards*

The Australian Accounting Standards Board (AASB) welcomes the opportunity to provide comments on the IVSC Exposure Draft *Proposed Amendments to the International Valuation Standards* (ED). The AASB is charged with developing and maintaining high-quality financial reporting standards for all sectors of the Australian economy, and to contribute, through leadership, to the development of global financial reporting standards.

The AASB supports the joint efforts of the IVSC and IFRS Foundation to enhance consistency between the work of the IVSC and the IFRS Foundation, as described in the *Statement of Protocols for Cooperation on International Financial Reporting Standards and International Valuation Standards*. Accordingly, the AASB supports the IVSC's efforts to address any potential confusion between definitions in International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS).

The AASB is of the view that it would be preferable for terms to be defined similarly between IVSs and IFRSs, where possible, as this would facilitate understanding of the suitability of valuations for financial reporting purposes. For this reason, the AASB:

- (a) supports the proposal to replace the defined term "fair value" with "equitable value". The AASB understands that a defined term of this nature is necessary for use in certain non-financial reporting related valuations. We also recommend that references to "fair" in paragraphs 41 and 42 of the IVS Framework to be similarly updated to refer instead to "equitable";
- (b) encourages the IVSC to consider the work of the International Accounting Standards Board (IASB) in its Conceptual Framework project in describing fulfilment value.¹ To the extent that the terms "discharge value" and the IASB's "fulfilment value" are intended to be the same, the AASB supports the IVSC and the IASB adopting the same defined term;²
- (c) encourages the IVSC to amend its definition of "market participants" to be consistent with the definition in IFRS 13 *Fair Value Measurement*;

¹ See paragraphs 6.34 – 6.47 of IASB Exposure Draft ED/2015/3 *Conceptual Framework for Financial Reporting*.

² The AASB notes that the IASB's Insurance project is expected to define 'fulfilment cash flows' rather than 'fulfilment value'.

- (d) encourages the IVSC to consider whether the discussion in the IVS Framework about 'cost' is consistent with the term as defined in IFRSs; for example, in IAS 16 *Property, Plant and Equipment*; and
- (e) recommends that the description of a financial instrument in IVS 250.G2 is aligned with the definition in IAS 32 *Financial Instruments: Presentation*.

In addition, the AASB notes the proposed amendments to IVS250.G22, which proposes the inclusion of the transfer of an instrument that results in either the creation of a controlling interest or the prospect of a change of control as an example of where adjustment or weighting of the evidence of transacted (financial instrument) prices may be required to determine the market value of a holding of the instrument. The AASB notes that the IASB has a current project on its agenda addressing the fair value measurement of holdings of listed instruments that give rise to control or significant influence over an entity. The IASB's proposals, as issued in its exposure draft on this project³, would not permit an entity to adjust listed prices in determining the fair value (market value) of that holding. The AASB encourages the IVSC to monitor the results of that IASB project before finalising its proposed amendments to paragraph G22.

If you have queries regarding any matters in this submission, please contact Evelyn Ling (evelynl@asb.gov.au).

Yours sincerely,



Kris Peach
Chair and CEO

³ IASB Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*.