

30 April 2009



Australian Property Institute

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Dear Sir,

Discussion Paper - Initial Accounting for Internally Generated Intangible Assets

Following the release of the Discussion Paper - Initial Accounting for Internally Generated Intangible Assets (the Discussion Paper) by the Australian Accounting Standards Board (AASB), the Australian Property Institute (API) through the Australian Valuation & Property Standards Board (AV&PSB) has considered and developed a response to certain of the matters raised therein.

The AV&PSB sets standards and provides guidance to valuation practitioners who complete valuations across a broad range of asset classes but principally in respect of real estate and plant & equipment.

Whilst the valuation of intangible assets is therefore incidental rather than central to the work of the majority of its practitioners, API members value a number of different types of intangible assets due to their inter-relationship with business enterprises, property and plant & equipment. In the context of internally generated intangible assets, the number of examples likely diminishes but again API members complete valuations of such assets. It is in this context that the comments are made.

Because the API and AV&PSB are concerned with valuations and valuation standards and guidance, the comments contained herein are limited to the matters raised in *Chapter 4 - Measurement* of the Discussion Paper with particular emphasis on measurement at fair value.

The API and AV&PSB are overall very supportive of the work completed by the AASB and we concur with the general intent of the document. We note with approval reference to consideration of the three broad approaches to value viz: market, income and cost. The API and AV&PSB consider that valuers should consider all approaches to value when valuing any asset and select one or more of these approaches as appropriate having regard to the nature of the asset and the available information.

The discussions in respect of the '3-Level Fair Value Measurement Hierarchy' appear sensible. The approach discussed in the context of internally generated intangible assets, is consistent with the sort of hierarchy commonly applied by valuers of other asset classes as a matter of course.

The API and AV&PSB agree with the assertion that it should be possible to accurately measure the fair value of internally generated intangible assets notwithstanding that Level 1 & 2 inputs may not be available. The API and AV&PSB therefore support the position that internally generated intangible assets should be required to be initially measured at fair value to enhance the decision-usefulness of financial reports.

The API and the AV&PSB are grateful for the opportunity to provide feedback. We recognise that the position favoured by the staff of the AASB if implemented, would require significant changes to existing accounting standards.

Should you wish to discuss any of the matters raised herein, please do not hesitate to contact Tony McNamara on 07 3832 33139.

Yours faithfully


Tony McNamara
Professional Standards Manager