



International Valuation Standards Committee

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Developing global valuation standards

## FASB consults on valuation standard setting

**The US Financial Accounting Standards Board (FASB) released yesterday (15 January 2007) an Invitation to Comment intended to stimulate debate on the development of valuation standards for financial reporting.**

Joseph Vella, IVSC chairman welcomed the initiative by FASB. Vella said, "The FASB document will help raise awareness of the critical importance of rigorous valuation standards and guidance to financial reporting. At our meeting with FASB in March last year discussion concentrated on the role of the IVSC and the increased use of fair value measurement in financial reporting worldwide. Both IVSC and FASB agree that as fair value measurement becomes more prevalent in financial statements, valuations that follow generally accepted valuation principles and valuation practice prepared by qualified valuation professionals will be needed."

Vella continued, "The diversity of the groups that provide valuation guidance creates the potential for confusion and inconsistent application of valuation practices. In February 2006 the International Accounting Standards Board and the FASB published a Memorandum of Understanding reaffirming their commitment to developing high quality, common accounting standards for use in the world's capital markets. In order to help facilitate the efficient movement of capital and labour between countries, we need a common language, one set of consistently applied global standards for measuring and reporting on companies' financial results.

The time has come for collective action by the international valuation profession to play its part in making this vision a reality and I call on all involved to lay aside self-interest and work together to improve the quality and transparency of valuation reporting. It will take trust; it will take compromise; it will take cooperation and it will take resourcefulness. The IVSC building on its first 25 years as an international standard setter is ready to adapt and change to facilitate that action."

## The IVSC responds to the challenges

The IVSC response has been swift and positive. Currently three major initiatives are underway to provide the valuation community with the necessary infrastructure to meet these challenges.

### IVSC restructuring proposal

The work of the IVSC started in the early 1980s. Its current structure is very similar to when it was first established and it is apparent that this has restricted the ability of the IVSC to respond to a very different set of challenges. The IVSC has embarked on a major restructuring process not unlike that undertaken by the International Accounting Standards Committee in the late 1990s that led to the creation of the IASB.

The IVSC restructuring proposals will be published week beginning 15 January 2007. In brief the proposals will

- recognize that the functions of a quality international valuation standard setter include an independent decision-making structure, adequate due process, and sufficient technical capabilities to develop high-quality international standards.
- make it possible for all key players to be involved in the process of valuation standard setting through advisory councils. The IVSC will cease to be exclusively an organization of national professional valuation institutes.
- recognise the need to protect the public interest by assisting in the development of high quality practices by the world's valuers and the responsibility to assist the development of the profession in developing countries.

The ambition is to have the restructured organisation operational by 1 January 2008. The restructuring proposals will be debated at an extraordinary general meeting of current IVSC members in San Francisco on 12 April 2007. A presentation on the proposals and question and answer session will be open to all interested parties and potential stakeholders. Register your interest in attending the meeting on the IVSC website as soon as possible.

## Intangible asset valuation guidance

The need for high quality international valuation standards for all assets and liabilities consistently applied has never been greater. The IVSC has put together a team of experts to draft a valuation standard and implementation guidance to address one of the key areas in which the IASB requires fair value guidance - that of measuring the fair value of intangible assets, such as brands, licences, patents, know-how, customer contracts and customer relationships.

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You can email us at [info@ivsc.org](mailto:info@ivsc.org) and visit our website at [www.ivsc.org](http://www.ivsc.org)

The IVSC's team is drawn from across the world and includes both valuation and accounting experts. The full team comprises:

- **Bruce Bingham** - Chairman  
Immediate past chair, American Society of Appraisers Business Valuation Committee  
Capstone Valuation Services, LLC.
- **Gerard McInnis** - Canadian Institute of Chartered Business Valuators,  
Partner, Ernst & Young LLP, Calgary , Canada
- **Frank Bollmann** - Managing Director, Duff & Phelps, Düsseldorf, Germany
- **Nick Anderson** - Managing Director, Financial Valuation, American Appraisal, London
- **Caroline Woodward** - Director, IFRS Business Combinations Team, PwC Global ACS, London
- **Ben Moore** - Director, Corporate Finance, Deloitte & Touche LLP, London
- **Carolyn Worth** - Partner in charge of Technical Committee for Valuation Services,  
KPMG, San Francisco
- **Jay E Fishman** - Chairman, The Appraisal Foundation Business Valuation task force  
Financial Research Associates, Philadelphia
- **Shân Kennedy** - technical consultant to project. Independent Consultant, IFRS and Valuation.
- A member of the International Accounting Standards Board acts as an observer to the group.

An exposure draft is expected to be issued second quarter 2007.

## Critical review of International Valuation Standards

The first International Valuation Standards were published in 1981 with the aim of harmonising valuation standards by developing standards that could serve as a model on which national standard setters could base their own standards. The objective of the current IVSC is the development of a single set of high quality, understandable and enforceable global valuation standards covering all assets and liabilities and that support and enhance the standards being developed by other global standard setters. The most notable example of the latter is of course the IASB.

A small team has been brought together by the IVSC to develop a policy document for discussion that:

- recommends a format of an ideal set of international valuation standards - what they should look like, cover and contain;
- reviews the current edition of IVS and consider its strengths, weaknesses, omission, etc; and
- based on (1) and (2) above, develops a 'road map' going forward for the enhancement of the IVS

The report from the group will be discussed by the IVSC Management Board in April 2007.