

IVSC Standards Board  
1 King Street  
LONDON  
EC2V 8AU

**By email to: [commentletters@ivsc.org](mailto:commentletters@ivsc.org)**

12 July 2016

Dear Sirs

**Response to Exposure Draft**

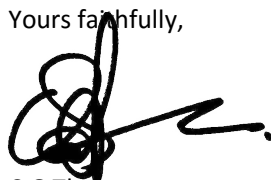
**IVS 2017: IVS 200 Businesses and Business Interests**

Please find attached our comments on the above exposure draft.

The directors of Valuology have considerable experience of valuation standard setting generally and knowledge of the existing IVSs and their evolution.

If you would like any additional information in relation to our responses or comments, please do not hesitate to contact us

Yours faithfully,



C G Thorne  
Director  
Valuology Ltd  
[cthorne@valuology.org](mailto:cthorne@valuology.org)  
+44 (0)771 880 7326



## Comments on Exposure Draft of IVS 2017

### IVS 200 Businesses and Business Interests

#### Answers to Questions in ED

- a) In IVS 2013, all substantive portions of IVS 200 *Business and Business Interests* were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standard was mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this Exposure Draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

We agree with changing the “Commentary” title. This was proposed in the 2015 ED<sup>1</sup> in response to earlier consultations. We do NOT agree that all aspects of the standards should be, or are capable of being, mandatory. We do not therefore agree with a format that makes no distinction between the mandatory Requirements and the supporting guidance. For further detail see our general comments below.

- b) The Board believes that the standard presented in this Exposure Draft can be applied in the valuation of business and business interests regardless of the purpose of the valuation (acquisitions, mergers and sales of businesses, taxation, litigation, insolvency proceedings and financial reporting). Do you agree? If not, for what purpose(s) do you believe this standard cannot be applied? Why?

We agree. However there some specific requirements when valuing for certain purposes that valuers need to be aware of. The proposal to remove application guidance for financial reporting and secured lending means that the IVSs will be less than helpful in these two significant areas.

- c) Are there any further topics or special considerations that you feel the Board should add or remove from IVS 200 Business and Business Interests? If so, what are they and what is your rationale?

No.

#### General Comments

Only the first paragraph is specifically identified as a Requirement but the second sentence of this refers to the standard containing additional Requirements. These are not clearly identified. The current IVS 200 consists of two sections, Requirements and Commentary. The 2015 ED proposed further minor changes to reinforce the distinction between the mandatory requirements and the supporting guidance, including changing the title of the commentary to “Application Guidance”. This was in response to comments received during the 2014 Structure and Scope review<sup>2</sup> and to the need to clearly identify the mandatory requirements and distinguish these from the supporting material,

---

<sup>1</sup> Proposed Amendments to the International Valuation Standards issued 19 March 2015

<sup>2</sup> Structure and Scope of the International Valuation Standards - Consultation Paper issued 10 July 2014



which is necessary to give effect to the IVSC's commitments in the 2014 Adopt or Comply MoU<sup>3</sup>. This is a fatal flaw in the composition of the proposed new standard.

It is the Board's intention that everything in the standards should be mandatory. We have previously commented on the fact that this was not only impractical but contrary to all representations that had been received in previous consultations. It also would frustrate previous commitments made by the IVSC to pursue convergence with USPAP and to clearly identify the Requirements referenced in the Adopt or Comply MoU.

This proposed draft has material that is mandatory in nature because imperative language is used interspersed with material that is explanatory or illustrative in nature. This explanatory and illustrative material cannot be mandatory as there is no compulsion to take a specific action. The mandatory requirements need to be clearly identified and separated from the latter.

We note that much of the material is the same or similar to that in the current IVS 200, but with some additional detail. We have no comment to make on this additional material other than making the point that the consultations on the rewrite of IVSs that took place in 2010, strong representations were received against the IVSs containing too much detailed material that could be deemed educational in nature.

### **Specific Comments**

30 Bases of Value. This section does not appear in the current IVS 200 for the good reason that the discussion of what a basis is, together with definitions and explanation of three different examples, is included in the Framework. Regardless of the fact that it is now proposed to effectively abolish the Framework and remove the discussion and definition of various bases into a new standard (along with sundry other valuation concepts) there is no need to repeat this. The very first paragraph of this draft says that the General Standards have to be followed, and IVSs 101, 102 and 103 all contain requirements to select, use and report a basis that is appropriate. Needless repetition should be avoided and therefore we recommend this section be deleted as it adds nothing.

80 This section simply lists the contents that follow. While it would be of benefit to have a contents list in the traditional place at the beginning, no purpose is served by a partial list three quarters of the way through the document. Also, the whole standard is about "special considerations for businesses and business interests." This is a superfluous distraction that should be removed.

Sections 90 to 130 contain useful information but we recommend that the order be re-examined, as many of these are matters that need to be considered before a valuation approach can be selected.

---

<sup>3</sup> Memorandum between IVSC and over twenty Valuation Professional Organisations – first signings 23 October 2014.