

# CHANGES TO THE INTERNATIONAL VALUATION STANDARDS (IVS) – PUBLIC CONSULTATION ON THE EXPOSURE DRAFT

Presenters:

Alexander Aronsohn FRICS, Director of Technical Standards, IVSC

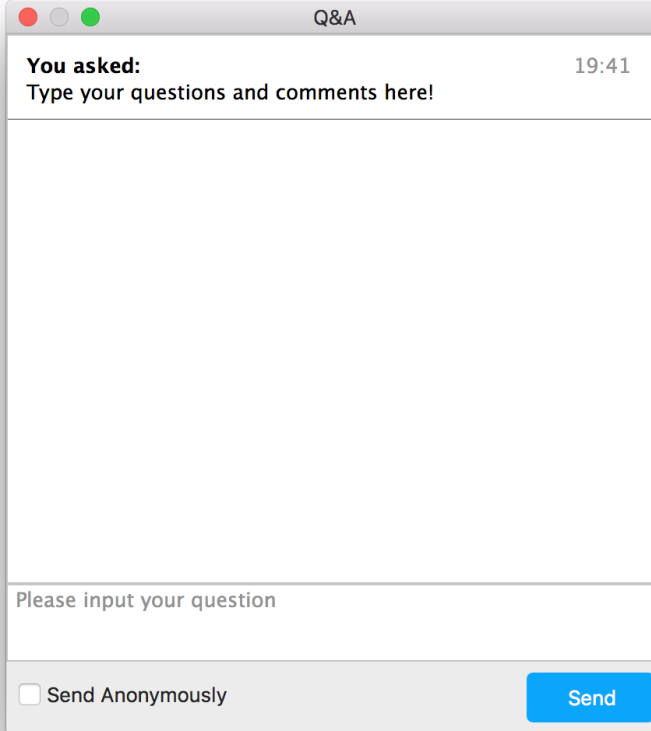
Nicolas Konialidis, CFA, Asia Director, IVSC

Sivananth Ramachandran, CFA, Director of Capital Markets Policy, CFA Institute



# HOUSEKEEPING

- Today's webinar is scheduled for 90 minutes including Q&A
- All participants are muted throughout the webinar
- We welcome comments via the Chat button and questions via the Q&A button on your screen.
- We will be running a few polling questions – you will be prompted to submit your answers
- This webinar will be recorded and be made available to view soon after the presentation concludes today
- The main presentation will be uploaded onto [CFA Institute Asia-Pacific Research Exchange \(ARX, www.arx.cfa\)](http://www.arx.cfa)



The image shows a screenshot of a Q&A window interface. The window title is "Q&A". At the top right, there is a timestamp "19:41". Below the title bar, the text reads "You asked: Type your questions and comments here!". The main area of the window is a large, empty text input field. At the bottom of the window, there is a label "Please input your question" above the input field. Below the input field, there is a checkbox labeled "Send Anonymously" and a blue "Send" button.

IVSC



# International Valuation Standards Exposure Draft

*Building trust in valuation*

Alexander Aronsohn – IVSC Technical Director

Nicolas Konialidis – IVSC Asia Director



July 2023

# Polling Question 1

Where are you located?

- a) East Asia,
- b) West Asia,
- c) North America,
- d) Europe,
- e) Latin America,
- f) Africa and Middle East



## IVSC's mission

Working with our partners, including other standard setters, regulators, Valuation Professional Organisations, valuation service providers, and the end users of valuation information:

The IVSC's mission is to build trust in valuation by:

- Establishing globally consistent, high-quality International Valuation Standards (IVS) across all asset classes, and by
- Encouraging quality valuation professionalism globally.

In achieving this, the IVSC seeks to support business, strengthen financial markets and protect the public interest.

# Sponsors

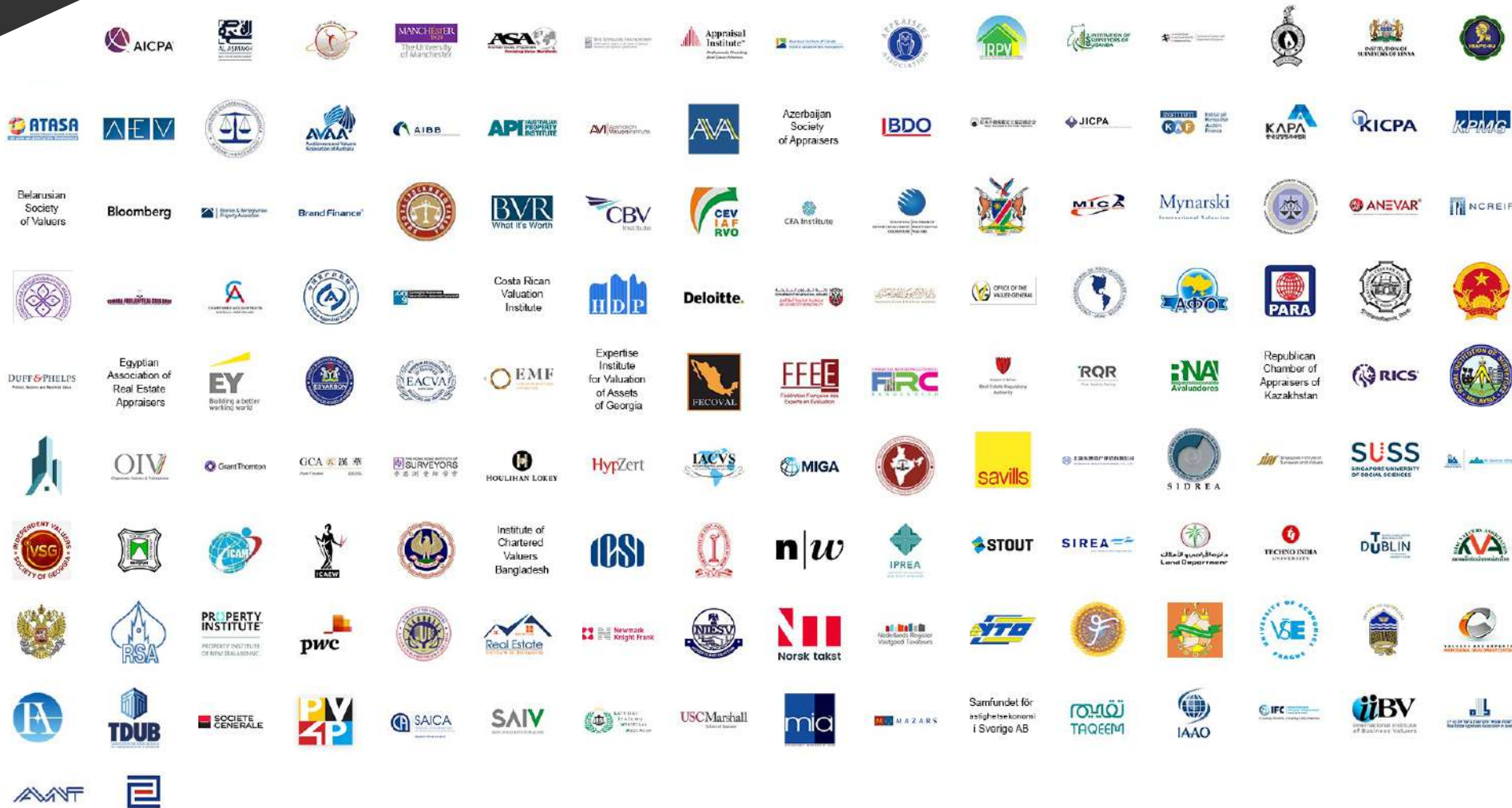


**Building trust  
in valuation**

As a not-for-profit, the IVSC depends on sponsors to advance IVS and the global valuation profession.

Sponsors believe enhanced international valuation standards benefit public interest, promoting financial market transparency, economic growth, and increased confidence for investors and valuation service users.

# IVSC



More than 200 members

# IVSC members

IVSC members include:

- **Corporate members** – major firms providing or procuring valuation services;
- **Valuation Professional Organisations (VPOs)** – not-for-profits setting standards, licensing, and regulating valuers;
- **Associate VPOs** – organisations working towards full VPO membership requirements;
- **Institutional Members** – bodies overseeing the valuation profession or non-valuation-specific professional entities;
- **Academic members** – institutions offering courses with valuation components.





# Professionals applying IVS in **103 countries**

IVS are applied by qualified valuers in 103 countries.

In some markets, IVS is legally enforced (e.g., the EU's Mortgage Credit Directive), established as best practice by VPOs in unregulated markets (e.g., UK, Australia, Asia, and Latin America), or demanded by global investors as valuation data end users (e.g., Norwegian Sovereign Wealth Fund and the IMF).

How familiar are you with the IVSC and the International Valuation Standards?

- a) Not at all
- b) Somewhat familiar
- c) Quite familiar
- d) Very familiar



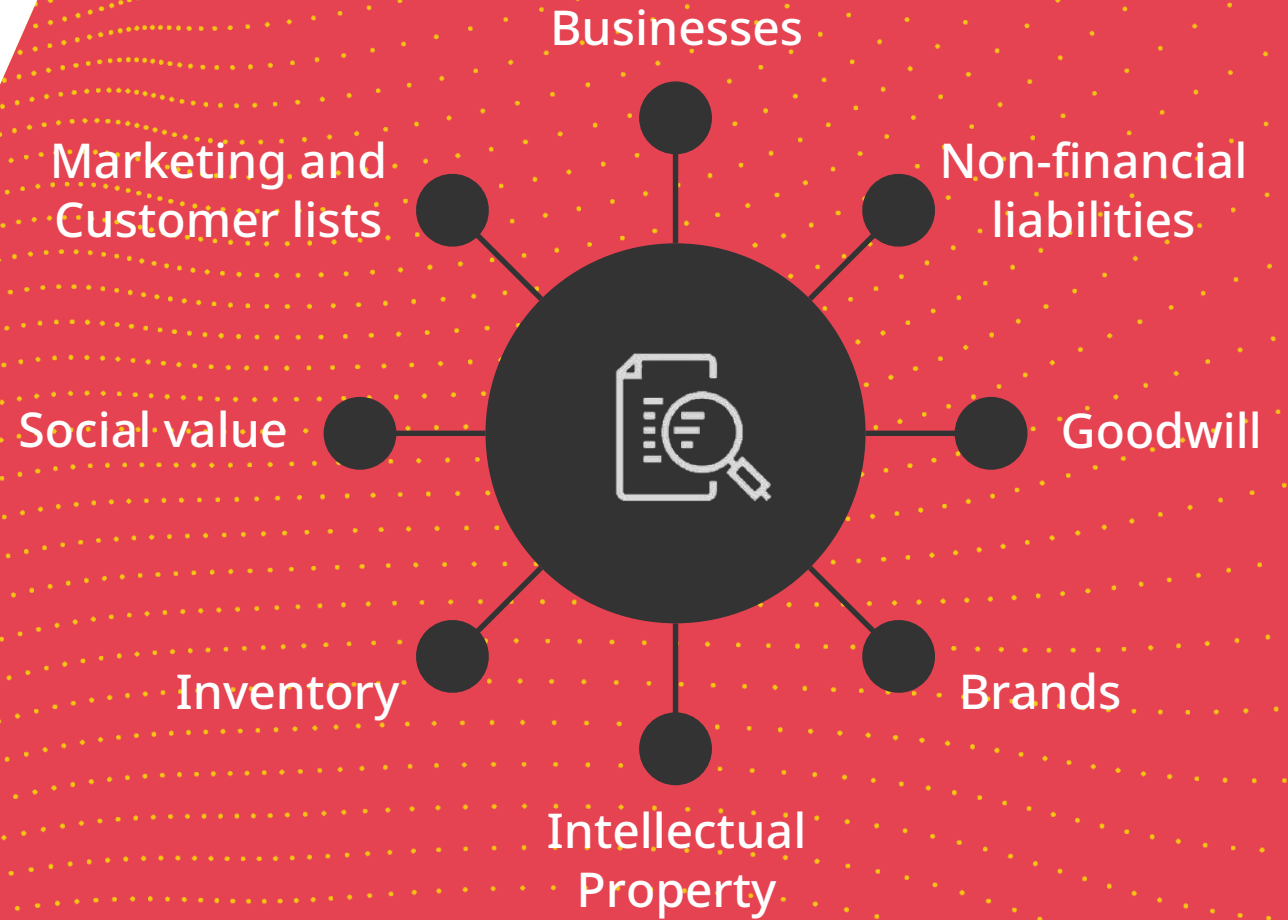
# Relationship between IOSCO and IVSC



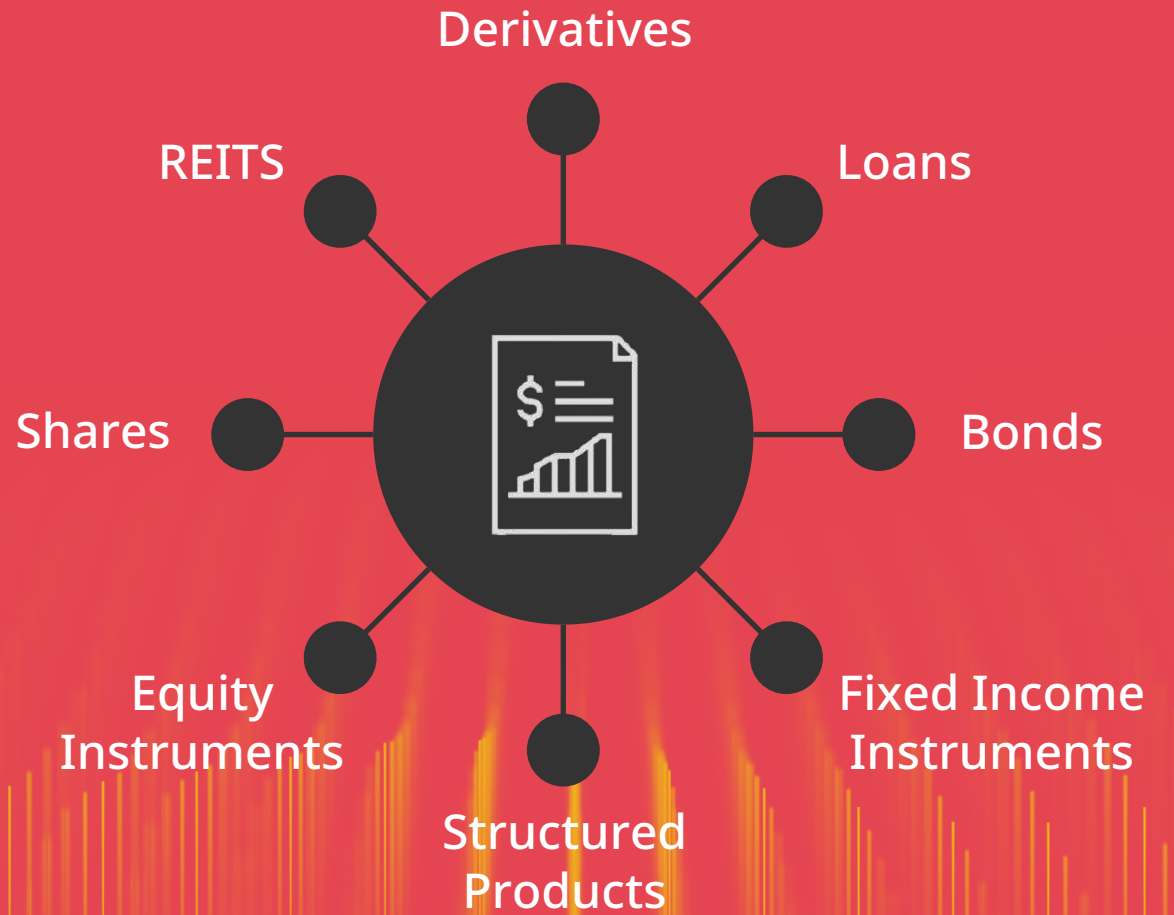
- The International Organization of Securities Commissions (“IOSCO”) is an international body of the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation.
- IOSCO and the IVSC, in October 2022, executed a Statement of Cooperation whereby both organizations endeavor to enhance their collaboration with the aim of identifying approaches to promote high quality valuation practices.
- Among other areas of agreement, IOSCO will:
  - Gain an understanding of the IVSs, with the aim of assessing whether they address valuation risk areas as identified by securities regulators.
  - Provide input to the IVSC on proposed amendments to IVSs and developments that are relevant to valuations used for financial reporting and assist in identifying emerging issues concerning valuations.



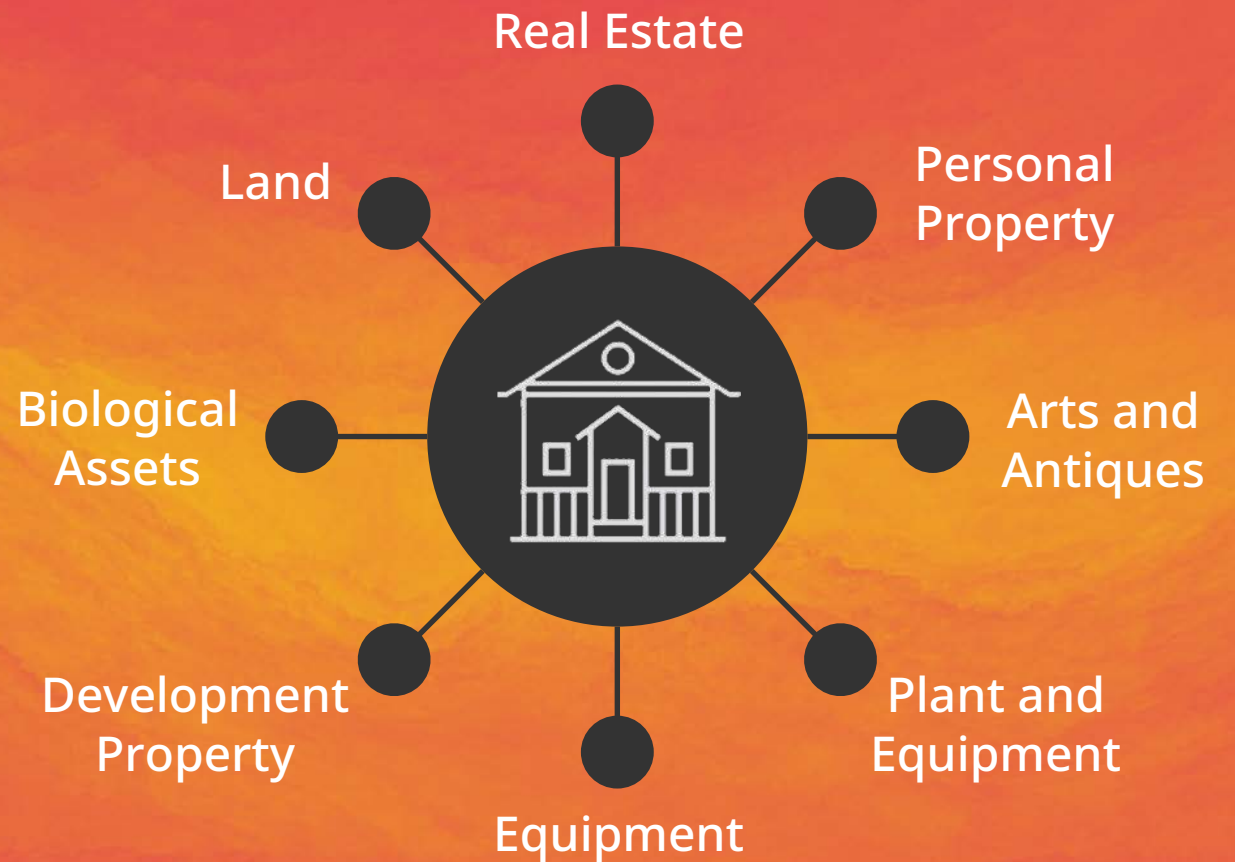
# Business & Intangible Assets Valuation



# Financial Instruments Valuation



# Tangible Assets Valuation



Do you refer to the International Valuation Standards in your work?

- a) No, never
- b) Yes, As a preparer,
- c) Yes, as a user,
- d) I don't know





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## IVS Enhancements

**Further to feedback from the Agenda consultation the IVSC SRB have launched this major initiative to address the following:**

- Modernise standards to include key components of the valuation process that continue to be more important in determining values (e.g., inputs, data and models).
- Increase understandability and relevance of the IVSC Standards to users and other stakeholders (financial institutions, investors and regulators).
- Future-proof the IVSC Standards for valuation of new and different assets and liabilities





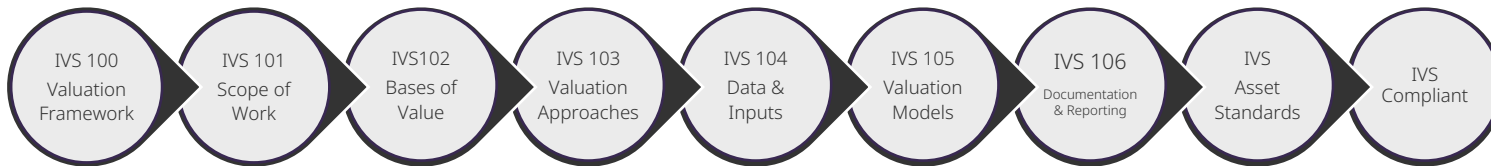
# IVS Enhancement Project Considerations

1. Ongoing changes in global markets and global valuation, including the increased use of technology and the abundance of available data sources.
2. Increased use of specialists and service providers by valuers in the performance of valuations.
3. Increased demand by stakeholders, including financial institutions, investors, and regulators, for clarity related to valuation process and the management of valuation risk.
4. Additional demands on valuation professionals to address new types of assets or liabilities and to expand the application of valuations into areas such as environmental, social and governance (ESG).
5. Integration of the proposed new financial instruments content.



# IVS Valuation Process

- Applies to all asset classes.
- Describes key processes to which we believe we need to have standards.
- Clarifies the connection between the IVS General Standards and Asset Standards.
- Provides flexibility for inclusion of additional Asset Standards.




## INTERNATIONAL VALUATION STANDARDS

EXPOSURE DRAFT FOR CONSULTATION

# Relationship of IVS General and Asset Standards



The General Standards apply to all asset classes



# IVS 100 Compliance Hierarchy

Compliance hierarchy – Compliance is a Function of:

IVS General Standards



IVS Asset Standards



Legal, statutory, and regulatory or other authoritative requirements appropriate to the purpose and jurisdiction of the valuation.

If in conflict with IVS the requirements should be prioritized, explained, documented and reported

Any other deviations would render the valuation not compliant with IVS.



# Overview of IVS Revisions

1. Adoption of a structure that better aligns with the valuation process.
2. Additions or expansions to the requirements for data and inputs, valuation models, quality controls, and documentation to reflect the increased complexities of valuations.
3. Certain requirements have been moved between the General Standards and Asset Standards to ensure that the General Standards are applicable to all Asset classes.
4. Certain information has been moved to Appendices to improve readability and to provide flexibility.
5. Clarification of the roles and responsibilities of the parties involved in valuation, such as service organisations and specialists.
6. Substantial revisions and enhancements to IVS 500 Financial Instruments.



# IVS General Standards

General Standards apply to all valuations. The General Standards are as follows.

- IVS 100 Valuation Framework
- IVS 101 Scope of Work
- IVS 102 Bases of Value
  - Appendix: Bases of Value
  - Appendix: Premise of Value
- IVS 103 Valuation Approaches
  - Appendix: Valuation Method
- IVS 104 Data and Inputs
  - Appendix: ESG
- IVS 105 Valuation Models
- IVS 106 Documentation and Reporting



# IVS Glossary

- Asset or Assets
- Basis (bases) of Value
- Client
- Cost(s) (noun)
- Discount Rate(s)
- Equitable Value
- Equity instrument
- Financial Asset or Assets
- Financial Instrument
- Financial Liability or Liabilities
- Intangible Asset
- Intended Use
- Intended User
- Investment Value
- Jurisdiction
- Liability
- Liquidation Value
- Market Value
- Must
- Price (noun)
- Professional Judgement
- Service Organisation
- Should
- Significant
- Specialist
- Synergistic Value
- Tangible Asset
- Valuation
- Valuation Approach
- Value Conclusion Review
- Valuation Date
- Valuation Method
- Valuation Model
- Valuation Process Review
- Valuation Review
- Valuation Risk
- Value (noun)
- Valuer
- Weight
- Worth



The IVSC logo consists of the letters 'IVSC' in a white, sans-serif font, centered on a red, tilted rectangular background.

# IVS 100: Valuation Framework

Contents	Paragraphs
Valuer Principles	10
Valuation Principles	20
Quality Control	30
Use of a Specialist	40
Use of a Service Organisation	50
Compliance	60
Effective Date	70

## **New sections**

- *Quality Control*
- *Use of Specialist*
- *Use of Service Organisation*

## **Revised Sections**

- *Valuer Principles*
- *Valuation Principles*
- *Compliance*
- *Effective Date*





The logo for the International Valuation Standards Council (IVSC) is a red parallelogram with the letters 'IVSC' in white, sans-serif font.

# IVS 101: Scope of Work

Revised Introduction  
(section 10.1-10.4) includes:

Contents	Paragraphs
Introduction	10
Valuation Requirements	20
Valuation Review Requirements	30

## Valuation Requirements

- *Intended use*
- *Environmental, Social and Governance Factors*
- *The type of report or other documentation being prepared*

## Valuation Review Requirements

- *Valuation Process Review*
- *Value Conclusion Review*



# IVS 102: Bases of Value

Contents	Paragraphs
Introduction	10
Bases of Value	20
Entity-Specific Factors	30
Synergies	40
Assumptions and Special Assumptions	50
Transaction Costs	60
Allocation of Value	70
<b>Appendix</b>	
IVS-Defined Basis of Value – Market Value	A10
IVS-Defined Basis of Value – Market Rent	A20
IVS-Defined Basis of Value – Equitable Value	A30
IVS-Defined Basis of Value – Investment Value/Worth	A40
IVS-Defined Basis of Value – Synergistic Value	A50
IVS-Defined Basis of Value – Liquidation Value	A60
Other Basis of Value – Fair Value (International Financial Reporting Standards)	A70
Other Basis of Value – Fair Value (Legal/Statutory) in different jurisdictions	A80
Premise of Value – Highest and Best Use	A90
Premise of Value – Current Use/Existing Use	A100
Premise of Value – Orderly Liquidation	A110
Premise of Value – Forced Sale	A120

## New sections

- *Appendix*

## Revised Sections

- *Contents largely unchanged but some contents moved to Appendix.*





# IVS 103: Valuation Approaches

Contents	Paragraphs
Introduction	10
Market Approach	20
Income Approach	30
Cost Approach	40
<b>Appendix</b>	
Market Approach Methods	A10
Income Approach Methods	A20
Cost Approach Methods	A30

## New sections

- *Appendix*

## Revised Section

- *Contents largely unchanged but some contents moved to Appendix.*



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Contents	Paragraphs
Introduction	10
Use of a Service Organisation	20
Characteristics of Suitable Data and Inputs	30
Data and Input Selection	40
Input Documentation	50
<b>Appendix</b>	
Environmental, Social and Governance (ESG)	A10

## New Chapter IVS 104: Data and Inputs

### 30. Characteristics of Suitable Data and Inputs

**Accurate:** *data and inputs are free from error and bias and reflect the characteristics that they are designed to measure,*

**Appropriate:** *data and inputs are relevant for the asset or liability being valued,*

**Complete:** *set of data and inputs are sufficient to address attributes of the assets or liabilities,*

**Observable:** *data and inputs are obtainable and visible to multiple users or market participants,*

**Timely:** *data and inputs reflect the market conditions as of the valuation date,*

**Transparent:** *the source of the data and inputs can be traced from their origin.*



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IVS 104:  
Data and Inputs  
related to  
Environmental,  
Social and  
Governance  
factors: Appendix

- **The valuer must be aware of relevant legislation and frameworks in relation to the environmental, social and governance factors within their valuation(s).**
- A10.7. All known or readily available ESG information which would affect how a market participant would assess the *value* of an *asset(s)* and what they would pay for an asset should be included in each *valuation*.
- A10.8. ESG factors and the ESG regulatory environment should be considered in *valuations* to the extent that they are measurable and would be considered reasonable by a peer applying *professional judgement*.



# Polling Question 5

The Exposure Draft of the IVS explicitly mentions ESG considerations in the conduct of valuations. Do ESG considerations apply to your valuation work?

- a) Yes, ESG considerations feature in my valuation work and the revised IVS will not change things significantly.
- b) No, ESG considerations do not feature in my valuation work, but recent changes (IVS and others) will prompt me to include them.
- c) No, ESG considerations do not feature in my valuation work, and they are unlikely to in the foreseeable future.
- d) Others




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# New Chapter IVS 105: Valuation Models

Contents	Paragraphs
Introduction	10
Use of a Service Organisation	20
Characteristics of Suitable Valuation Models	30
Model Selection	40
Valuation Model Use	50
Valuation Model Documentation	60

## 30. Characteristics of Suitable Valuation Models

**Accuracy:** *the valuation model is free from error and functions in a manner consistent with the objectives of the valuation,*

**Appropriateness:** *the valuation model is suitable for the asset and/or liability being valued, given market conditions at the valuation date,*

**Completeness:** *the valuation model addresses all the features of the asset and/or liability to determine value,*

**Timeliness:** *the valuation model reflects the market conditions as of the valuation date,*

**Transparency:** *all persons preparing and relying on the valuation model must understand how the valuation model works and its inherent limitations.*




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# IVS 106: Documentation and Reporting

Contents	Paragraphs
Introduction	10
Documentation	20
Valuation Reports	30
Valuation Review Reports	40

## New sections

- *Documentation*

## Revisions

- **Valuation Reports – additional requirements including:**
  - (m) *environmental, social and governance inputs used and considered,*
  - (n) *significant or special assumptions and/or limiting conditions,*
  - (o) *findings of a specialist or service organisation,*
  - (p) *value and rationale for valuation,*
  - (r) *IVS compliance statement,*
- **Valuation Review Reports – two types:**
  - Valuation Process Review Report*
  - Valuation Conclusion Review Report*






Are you or your institution expecting to respond to the consultation?

- a) Yes, I expect to respond in personal capacity
- b) Yes, my institution is expected to respond
- c) Neither my institution nor myself are expected to respond
- d) I don't know / have not decided yet



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Asset Standards provide requirements in addition to the General Standards for specific types of assets and liabilities as follows:

- IVS 200 Businesses and Business Interests
- IVS 210 Intangible Assets
- IVS 220 Non-Financial Liabilities
- IVS 230 Inventory
- IVS 300 Plant, Equipment and Infrastructure
- IVS 400 Real Property Interests
- IVS 410 Development Property
- IVS 500 Financial Instruments

## IVS Asset Standards



# Business Valuation Standards

IVS 200  
Business and Business  
Interests

IVS 210  
Intangible Assets

IVS 220  
Non-Financial  
Liabilities

IVS 230  
Inventory



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## IVS 200: Businesses & Business Interests

### Definition of a Business:

- Generally, a business includes several assets working together to generate economic activity that differs from the outputs that would be generated by the assets individually.
- Agnostic about legal form (Corporation, partnership etc...)
- A business can straddle several legal entities.



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## IVS 200: Businesses & Business Interests

### Level of value (IVS 200 - §20.6)

- Valuation is of the entire entity, shares or a shareholding in the entity or a specific business activity of the entity.
- Controlling or non-controlling interest
- Different levels of value:
  - Enterprise value: Total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities.
  - Total invested capital value: Capital invested in a business, regardless of the source, often reflected as the value of total assets less current liabilities and cash.
  - Operating value: The total value of the operations of the business, excluding the value of any non-operating assets and liabilities.
  - Equity value: The value of a business to all of its equity shareholders.



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## Valuation Approaches and Methods (IVS 200 - §40)

### IVS 200: Businesses & Business Interests

- Choice of approach and method must be consistent with IVS 105
- No requirement for multiple approaches.
- three approaches:
  - Market Approach (§50) : "frequently applied" in BV
  - Income Approach (§60): "frequently applied" in BV
    - Growth may be explicitly considered in the forecasted income or cash flow
- Cost Approach (§70): Not normally applied for businesses and business interests.
  - Sometimes applied for start-up / early stage, or when business is not a going concern



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## IVS 210: Intangible Assets

### IVS 210 Intangible Assets

- An intangible asset is a non-monetary asset that manifests itself by its economic properties.
- It does not have physical substance but grants rights and/or economic benefits to its owner.
- There are many types of intangible assets:
  - Marketing-related
  - Customer-related
  - Artistic-related
  - Contract-related
  - Technology-related



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## IVS 210: Intangible Assets

### IVS 210 Intangible Assets - Goodwill

- Importance of Goodwill:
  - future economic benefit arising from a business, an interest in a business or from the use of a group of assets which has not been separately recognised in another asset.
- Importance of purpose of valuation for Goodwill.
- Goodwill frequently includes elements such as:
  - company-specific synergies
  - opportunities to expand
  - benefits of an assembled workforce
  - benefits from future assets (e.g technologies)
  - assemblage and going concern value.





## IVS 220: Non-Financial Liabilities

### IVS 220 Non-Financial Liabilities

- liabilities requiring a non-cash performance obligation to provide goods or services.
- Asset-liability symmetry typically does not exist
- Three valuation approaches can be applied (§40)
  - Market approach (§50)
    - In rare circumstances, a security sufficiently similar to a subject non-financial liability could be publicly traded (CVR)
  - Income approach (§60)
    - often determined by reference to the present value of the costs to fulfil the obligation plus a profit margin that would be required to assume the liability
  - Cost Approach
    - Limited application for non-financial liabilities as participants typically expect a return on the fulfilment effort.



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## IVS 230: Inventory

### IVS 230 Inventory

- Standard focuses on valuation of inventory of physical goods that are not real property
- Market value of inventory typically differs from, and is usually higher than, the book value of inventory
- Three valuation approaches can be applied (§40)
- Market approach (§50)
  - Narrow direct application (commoditized products)
- Income approach (§60)
  - Requires allocation of value (Top-down / Bottom-up)
- Cost Approach
  - Replacement cost method is primary method



How will the emergence of Artificial Intelligence change the process of valuation?

- a) It will have no noticeable impact.
- b) It will speed up the process but not fundamentally change valuations.
- c) It will both speed up the process and fundamentally change valuations.
- d) It will have a large, unforeseeable impact.



# IVS 400: Real Property Interests

Contents	Paragraphs
Overview	10
Introduction	20
Valuation Framework	30
Scope of Work	40
Bases of Value	50
Valuation Approaches and Methods	60
Market Approach	70
Income Approach	80
Cost Approach	90
Data and Inputs	100
Valuation Models	110
Documentation and Reporting	120
Special Considerations for Real Property Interests	130
Hierarchy of Interests	140
Rent	150

## Revisions

- *Restructured as per General Standards.*
- *New section on Data and Inputs.*
- *New section on Valuation Models.*
- *Reporting Section now includes documentation.*



# IVS 410: Development Property

Contents	Paragraphs
Overview	10
Introduction	20
Valuation Framework	30
Scope of Work	40
Bases of Value	50
Valuation Approaches and Methods	60
Market Approach	70
Income Approach	80
Cost Approach	90
Residual Method	100
Existing Asset	110
Data and Inputs	120
Valuation Models	130
Documentation and Reporting	140
Special Considerations for Secured Lending for a Development Property	150

## Revisions

- *Restructured as per General Standards.*
- *Increased references to land.*
- *New section on Data and Inputs.*
- *New section on Valuation Models.*
- *Reporting Section now includes documentation.*



# IVS 500 – Financial Instruments

- Unlike other VPO standards:
  - It is global in perspective. Relevant for an entity located in a developed country and within an emerging market
  - Addresses the relationship between the valuer, the client and the user
  - It does not state how to do a valuation
- Relevant for:
  - All sizes of firms throughout the world
  - Level 1, level 2 and level 3 securities
  - One financial instrument as well as a portfolio
  - One time and on-going (i.e., daily) valuations
  - Internal and external valuation specialists and service organizations
- Must be applied in all valuations of financial instruments including financial, tax and regulatory reporting

International Valuation Standards | Exposure Draft April 2023

IVS 200  
Businesses and Business Interests

IVS 210  
Intangible Assets

IVS 220  
Non-Financial Liabilities

IVS 230  
Inventory

IVS 300  
Plant, Equipment and Infrastructure

IVS 400  
Real Property Interests

IVS 410  
Development Property

IVS 500  
Financial Instruments

## IVS 500 Financial Instruments

Contents	Paragraphs
Objective	10
Scope	20
Valuations of financial instruments	30
Functions within a valuation for financial instruments	40
Data and Inputs	50
Core principles for data and input	60
Characteristics of Suitable Data and Inputs	70
Characteristics of Data and Inputs for Financial Instruments	80
Selecting Data and Inputs	90
Using Data and Inputs	100
Documentation for Data and Inputs	110
Methods and Models	120
Core principles for Models	130
Characteristics of a suitable valuation model	140
Model Selection	150
Testing the valuation model	160
Validation	170
Validating third-party models	180
Documentation for Models	190
Appropriate use of a valuation model	200
Valuation Model Maintenance	210
Quality Control	220
Core principles for quality controls	230
Characteristics of suitable quality controls	240
Automated and Manual Valuations and Controls	250
Quality Control Design and Implementation	260
Documentation	270

**Governance**

**10. Objective**

10.1. The principles contained in the General Standards apply to *valuations of financial instruments*. This standard contains additional requirements or specific examples of how the General Standards apply to *valuations*

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Asset Standards – IVS 500 Financial Instruments

# IVS Compliance Hierarchy

The 4 Core Principles of IVS 500 – Financial Instruments



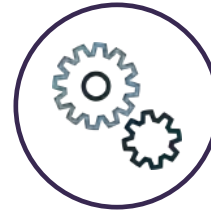
## GOVERNANCE

- A process that enables the valuer to fulfill their obligations.
- Includes a review and challenge process.
- Enable a bias free and independent valuation process.



## DATA AND INPUTS

- Dependent on the structure and liquidity of the financial instrument.
- Data and inputs may include observable market data but may also incorporate the use of: (a) proxies; and, (b) judgement.



## METHODS AND MODELS

- A method is a specific technique, within a valuation approach, to develop a value.
- A model is a quantitative implementation of a valuation method in whole or in part that converts input data into outputs used in the development of a value.



## QUALITY CONTROL

- For instruments of high valuation risk, the level of quality control and documentation required will be significantly greater than that required for valuations with low valuation risk.



Which aspects of the revised IVS do you think will be of most benefit to you in your role?

- a) Additional, explicit requirements around ESG;
- b) Restructuring of the general standards
- c) Revised glossary to ensure greater alignment with other international standards;
- d) New standards addressing the valuation of financial instruments.
- e) Others





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# IVS Thought Leadership



PERSPECTIVES PAPER

### ESG AND REAL ESTATE VALUATION

October 2021

PERSPECTIVES PAPER

### DEFINING & ESTIMATING SOCIAL VALUE

May 2022

PERSPECTIVES PAPER

### HUMAN CAPITAL

Time to get Tangible about Intangible Assets

May 2022

PERSPECTIVES PAPER

### HUMAN CAPITAL

Time to get Tangible about Intangible Assets

May 2022

PERSPECTIVES PAPER

### ESG AND BUSINESS VALUATION

March 2021

PERSPECTIVES PAPER

### IBOR REFORM: A VALUATION GUIDE

February 2021

PERSP

### MAP BAS

October 2021

May 2022

May 2022

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### ESG

PERSPECTIVES PAPER

### DEFINING AND ESTIMATING 'SOCIAL VALUE'

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### MARKET VALUE: AN ESTABLISHED BASIS OF VALUE

PERSPECTIVES PAPER

### IS GOODWILL A WASTING ASSET?

PERSPECTIVES PAPER

### ESG - A FRAMEWORK TO ASSESS VALUE CREATION

PERSPECTIVES PAPER

### ESG - A FRAMEWORK TO ASSESS VALUE CREATION

PERSPECTIVES PAPER

### ESG - A FRAMEWORK TO ASSESS VALUE CREATION

PERSP

### ESG

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May 2021

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May 2021

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### ESG

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PERSPECTIVES PAPER

### THE CURRENT IMPAIRMENT TEST: LEADING OR LAGGING INDICATOR

PERSPECTIVES PAPER

### TIME TO GET TANGIBLE ABOUT INTANGIBLE ASSETS

PART 1: THE CASE FOR REALIGNING REPORTING STANDARDS WITH MODERN VALUE CREATION BUSINESS MODELS

PERSPECTIVES PAPER

### OPPORTUNITIES TO ENHANCE THE GOODWILL IMPAIRMENT FRAMEWORK

STANDARDS REVIEW BOARD - LETTER

### DEALING WITH VALUATION UNCERTAINTY AT TIMES OF MARKET UNREST

PERSPECTIVES PAPER

### CHALLENGES TO MARKET VALUE

PERSPECTIVES PAPER

### THE ART OF VALUING PERSONAL PROPERTY

PERS

### DE SO

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### DE SO

- 3 Paper series.
- Conceptual framework and empirical evidence suggest that Goodwill is not a wasting asset. Potential reasons for persistent timing lag in impairments:
  - Impairment Shielding – internally generated headroom
  - Artificial Headroom – amortisation of acquired intangible assets
  - Impairment Triggers – overly broad and outward looking
  - Behavioural Considerations – A reluctance to take impairment charges
- Recommendations:
  - Enhanced Disclosures and Objective Triggers (at time of acquisition); Less judgment, less moral hazard.
- Recommendations:
  - Enhanced Disclosures and Objective Triggers (at time of acquisition); Less judgment, less moral hazard.
- A move to amortise goodwill would have:
  - reduced the information value of the goodwill impairment process
  - exacerbated the shortcomings of the test (shielded impairment and a lagging indicator).
- In June 2022, FASB decided to remove the project centred on the amortisation of goodwill from its agenda. In November 2022 the IASB voted to retain the impairment-only approach to account for goodwill.



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# Consultation Process





IVSC

# IVS Consultation Timeline

International Valuation Standards (IVS) are developed in an open and transparent way through public consultation. The consultation period on the proposed changes opens on 28 April 2023 for 3 months until 28 July 2023.

Comments can be submitted in the following ways:

By personal letter or email to:

- [aaronsohn@ivsc.org](mailto:aaronsohn@ivsc.org)
- **online via the IVSC website**
- **Link to PDF on website**





IVSC

# IVS Enhancement Project Key dates

- **IVS Exposure Draft – 28<sup>th</sup> April 2023.**
- **IVS Summary of Exposure Draft Changes & Consultation Questions – 28<sup>th</sup> April 2023.**
- **Comments due– 28<sup>th</sup> July 2023.**

Subject to the responses, target dates are:

- IVS (Effective 31 July 2024) - January 2024.
- IVS Basis of Conclusion (Effective 31 July 2024) - January 2024.
- IVS (Effective 31 July 2024) Red Line – January 2024



Which question is, in your view, most pressing?

- a) Valuation gaps between public and private markets
- b) Incorporating ESG considerations into valuations
- c) The influence of AI in the valuation process
- d) The emergence of Automated Valuation Models (AVM)
- e) Other



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# Thank you



- IVS Exposure Draft
- Consultation opens on 28 April 2023.
- Consultation closes 28 July 2023