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28 July 2023

The International Valuation Standards Council  
4 Lombard Street  
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### **Comments on the IVS Exposure Draft**

We at the Japanese Institute of Certified Public Accountants express our respect to the International Valuation Standards Council (“IVSC”) for making continuous efforts and welcome the opportunity to comment on the IVS Exposure Draft.

The following are our answers to those of the questions contained in the exposure draft which we thought we should comment on, other than those which we have no particular comments on.

#### **General Standards**

##### Question 1

The IVSC Technical Standards Boards (the Boards) have enhanced the structure of the General Standards to mirror the valuation process to improve users’ ability to understand and apply International Valuation Standards (IVS). Do you believe that this has been accomplished? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes.

##### Question 2

In the edition of IVS (effective 31 January 2022), the IVS Framework was included as

a preamble and there was a lack of clarity as to whether it was mandatory or not. In the General Standards as proposed in the Exposure Draft, the IVS Framework, now chapter IVS 100 Framework, forms a mandatory part of IVS. Do you agree that this should be mandatory? If not, why not, and what specific changes would you make?

(Our comments)

We understand that the IVS Framework included as a preamble has virtually been regarded as mandatory, and agree that the Framework forms a mandatory part of IVS as chapter IVS 100.

Question 3

IVS 100 Framework now includes section 30 Quality Control. Do you agree that the new requirements for quality control are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes. However, we would like to make the following comments.

100.30.2: Valuers belong to organizations of different sizes and may face different constraints. For instance, a valuer may belong to a small-sized organization, performs only internal valuations or cannot conduct peer reviews for confidentiality reasons. We would like these circumstances of viewers to be considered so that requirements for quality control are practically acceptable.

100.30.2: It would be easier to understand what is expected of the new requirements for quality control if there are supplementary explanations, such as by showing who is supposed to perform quality control and how it is supposed to be performed.

Question 4

IVS 104 Data and Inputs has been added to the General Standards. Do you agree that the requirements for data and inputs are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes in principle. However, we would like to make the following comments.

104.10.3: There should be an appropriate division of responsibility between the valuer and the data provider. We are of the opinion that this should be noted in the valuation report, and that the valuer's responsibility should be determined at a practically acceptable level.

104.30.1: The consistency of data used should also be mentioned, if applicable, such as when the valuer continuously conducts valuations.

Question 5

The General Standards now include specific requirements for consideration of ESG factors within IVS 101 Scope of Work, IVS 103 Valuation Approaches and IVS 106 Documentation and Reporting. In addition, an ESG Appendix has been included in IVS 104 Data and Inputs. Do you agree that the requirements and framework for ESG considerations are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes.

Question 6

IVS 105 Valuation Models has been added to the IVS General Standards. Do you agree that the requirements for valuation models are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes.

Question 7

IVS 106 Documentation and Reporting now includes section 20 Documentation. Do you agree that the requirements for documentation and reporting are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes in principle. However, we would like to make the following comments.

106.30.6 (i): We are of the opinion that valuation policies that an organization has

established should expressly be included in the [basis of value adopted] in valuation reports.

Question 8

The IVS Glossary is intended to include only defined terms used within IVS. The Glossary now includes additional definitions and others have been revised or deleted. Do you think these changes are appropriate? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes.

Question 9

Stakeholders requested that the Board provide additional standards regarding valuation reviews. The Board has developed standards related to two types of valuation review (Valuation Process Review and Value Conclusion Review). Do you think these additions are appropriate? If not, why not, and what specific changes would you make?

(Our comments)

We agree to the changes in principle. However, we would like to make the following comments.

100.60.5: As to the phrase, “In certain instances,” we are of the opinion that additional supplementary explanations provided about the background and use of valuation reviews would facilitate readers’ understanding or reduce their misunderstanding.

## **Asset Standards**

### ***Business Valuation***

Question 11

The current Exposure Draft includes only minimal changes to IVS 200 Businesses and Business Interests through to IVS 230 Inventory. Most changes pertain to cross-referencing. The Boards found that IVS 200 to IVS 230 inclusive:

- effectively represent current international best practice; and
- are congruent with the proposed changes in other sections of IVS.

Furthermore, since the adoption and implementation of these standards are at critical junctures in several key jurisdictions, the Boards have chosen to not make any

substantial changes to these chapters. Do you agree that IVS 200 to IVS 230 should remain substantially unchanged to maintain consistency with IVS General Standards as outlined in the Exposure Draft? If you disagree, please explain your reasoning and provide specific suggestions for changes that you believe would enhance these standards?

(Our comments)

We agree to the changes.

### ***Financial Instruments***

Question 15

In line with the Boards' publication plan the revised proposals to IVS 500 now include requirements on methods and models which must be applied in conjunction with the General Standards. Do you agree that the requirements for methods and models are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

(Our comments)

We are concerned about the validation of third-party models as set out in paragraph 180. In particular, paragraph 180.2. states that third-party models should be evaluated in accordance with the same standards as those for internal models. We assume that it would be difficult to obtain necessary and adequate information for validation because third-party models are related to their provider's core competency. To address such instances, we believe it would be useful to mention an alternative method of validation of third-party models.

### ***Tangible Assets***

Question 19

IVS 300 *Plant, Equipment and Infrastructure* now includes infrastructure. Is this sufficiently covered and if not, why not and what specific changes would you make?

(Our comments)

We agree to the changes.

Question 20

Additional content has been added to IVS 300 in relation to the income approach. Is this sufficiently covered and if not why not and what specific changes would you make?

(Our comments)

We agree to the changes.

Question 21

Additional content has been added to IVS 300 in relation to the market approach. Is this sufficiently covered? If not why not and what specific changes would you make?

(Our comments)

We agree to the changes.

Yours faithfully,

Eriko Otokozawa

Executive Board Member — Business Accounting Standards and Practice/Corporate Disclosure

The Japanese Institute of Certified Public Accountants