



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1160 Fax: 81-3-5226-3356  
Email: [smp@jicpa.or.jp](mailto:smp@jicpa.or.jp)

June 27, 2019  
The International Valuation Standards Council  
4 Lombard Street  
LONDON  
EC3V 9AA  
United Kingdom

Comments on the Exposure Draft “IVS 2017 Additional Technical Revisions”

The Japanese Institute of Certified Public Accountants (the “JICPA”) welcomes this opportunity to comment on the Exposure Draft of International Valuation Standards (IVS) 2017 Additional Technical Revisions (the “Exposure Draft”). We, hereby, state our replies to the questions stated in the Exposure Draft as follows.

1. IVS Glossary

Question 1: Do you believe that IVS should seek to harmonise valuation standards with other standards such as CUSPAP and USPAP? If so, please discuss why you think the harmonisation of valuation standards is necessary.

(Comment)

We believe that IVS should harmonize its valuation standards with other standards. Without such harmonization, multiple standards would exist, giving rise to the necessity of commenting on the differences between the standards in the individual valuation work.

Question 2: Do you believe that IVS should define the term Assignment? If so, please discuss why you think the additional definition is necessary.

(Comment)

If the term, “Assignment,” is to be used to denote meanings other than the generally-accepted meanings, we believe that additional definition is necessary.

Question 3: Do you believe that IVS should define the term Confidential? If so, please discuss why you think the additional definition is necessary.

(Comment)

If the term, “Confidential,” is to be used to denote meanings other than the generally-accepted meanings, we believe that additional definition is necessary.

Question 4: Do you believe that IVS should define the terms Client, Intended Use, Intended User, and Purpose? If so, please discuss why you think the additional definitions are necessary

(Comment)

If the terms are to be used to denote meanings other than the generally-accepted meanings, we believe that additional definition is necessary.

## 2. IVS Framework

Question 5: Should IVS change Section 50.1 to a “should”? If not, please provide your reasons.

(Comment)

We agree to the change in the wording in Section 50.1 to “should” in order to encourage wider acceptance of IVS.

## 3. IVS 102 – Investigations and Compliance

Question 6: Should IVS change Section 20.4 to state “Inputs provided to the valuer (e.g., by management/owners), should be considered, investigated and/or corroborated.”? If not, please provide your reasons.

(Comment)

The JICPA has published the research report, *Corporate Value Valuation Guidelines*, which, while not legally required to apply, summarizes business valuation practices in Japan. These guidelines, upon clarifying the point that valuation services are not the equivalent of assurance services, require that the valuer not uncritically accept the information provided by the company subject to the valuation but exercise discretion, as defined in these guidelines, and perform critical examination and analysis of such information.

## 4. IVS 103 – Reporting

Question 7: Must a report that is the result of an assignment involving the valuation of an asset or assets, in addition to the other requirements stated above, also convey the intended use? If not, please provide your reasoning.

(Comment)

Given that the intended use is a crucial element in the valuation, we believe that it should be conveyed in the report.

## 5. IVS 104 – Bases of Value

Question 8: Should IVS 2017 use the term ‘allocation of value’ or ‘apportionment of value’ or both?

(Comment)

In Japan, the term, “allocation of value,” is frequently used in general terms, especially in accounting. Therefore, if the term, “apportionment of value,” is to be used, we believe that its definition should be clarified.

Question 9: Should it be mandatory for the valuer to state the reason for the sum of the assets/components being greater or less than the whole as stated in 220.3? If not, please provide your reasoning.

(Comment)

To properly reply to this question, we will need a more detailed explanation of the background.

Question 10: Section 220.4 states that “If the value of the asset includes an element of assemblage value or portfolio premium/discount the valuer must report the overall value separately from the value of the individual assets or components.” Are there any instances where you feel that this is not the case, if so, please provide examples?

(Comment)

To properly reply to this question, we will need a more detailed explanation of the background.

Question 11: Section 220 has been drafted to apply to all specialisms. Should additional Information be Included within the Assets Standards for Business Valuation, Financial Instruments or Tangible Assets? If yes, please provide examples of the initial information to be included.

(Comment)

To properly reply to this question, we will need a more detailed explanation of the background.

## 6. IVS 105 – Valuation Approaches and Methods

Question 12: Do you think that IVS should include a section within the General Standards on Modelling for Valuation purposes? If not, please provide your reasoning.

(Comment)

If Automated Valuation Models (AVMs) have become more common, we believe that a section should be included in the General Standards.

Question 13: Do you believe that IVS should define the term valuation model? If so, please suggest a definition and discuss why you think the additional definition is necessary.

(Comment)

If the term, “valuation model,” is to be used to denote meanings other than the generally-accepted meanings, we believe that additional definition is necessary.

Question 14: Do you believe that IVS should define the term valuation calculation? If so, please suggest a definition and discuss why you think the additional definition is necessary.

(Comment)

Since indication should be made as to whether the values calculated using Automated Valuation Models (AVMs) have been included, we believe that the term, “valuation calculation,” should be defined.

Question 15: Section 90.2 states that “When using a valuation model the valuer must take responsibility for the output of valuation model....” Are there any instances where you feel that this is not the case, if so, please provide examples?

(Comment)

We believe that models well established and with proven track records of use do not require verification of the model per se by the valuer. Nevertheless, we believe that the valuer must take responsibility for the output of the valuation model. For example, if the Black-Scholes model is used to calculate the value of options, verification of the model per se is not necessary but the valuer must verify the validity of the input and take responsibility for the output.

Question 16: Section 90.2 also states that “When using a valuation model the valuer must.... keep appropriate records to support the selection of the model.” How long are you required to keep valuation records in the market(s) in which you operate? Please provide details of any relevant valuation record keeping legislation within the market(s) in which you operate.

(Comment)

In the use of valuation models, simulation calculation is only possible through the use of such valuation models. Thus, it is necessary to retain this valuation model in addition to the paper-based or the electronic-based valuation report, calculation sheet and other documents. The retention period will be on a case-by-case basis for individual valuation but periods of two to three years in line with the confidentiality period or the liability period are common. Furthermore, If valuation report becomes a part of accounting record, given that a mandatory retention period in corporate law is ten years for accounting record, the valuer must also take these circumstances into consideration in determining the retention period.

Question 17: Do you agree with Section 80.3 that “when using a valuation model the valuer must take responsibility for the output of valuation model and keep appropriate records to support the selection of the model?” If not, please provide instances when this is not the case.

(Comment)

We basically agree with Section 80.3. However, in practice, when special calculations are

performed in the client's computer center, it would not be possible to retain records of the calculation process or re-perform calculation.

Question 18: Do you feel that additional valuation standards on valuation modelling are required within the Asset Standards (i.e. IVS 200 Business and Business Interests, IVS 400 Real Property Interests, IVS 500 Financial Instruments)? If so, please provide an indication of the proposed content and where within the IVS Asset Standards you think this additional content should be contained.

(Comment)

We believe that additional valuation standards are required on the use of valuation models. Given that the use of valuation models will always be a topic of discussion regardless of the subject of the valuation, additional standards should be included at the end of the individual Asset Standards.