

May 10, 2006

Director,  
Canadian Accounting Standards Board  
277 Wellington Street West  
Toronto Ontario  
M5V 3H2

Dear Sirs:

The Financial Reporting Sub-Committee of the Canadian Institute of Chartered Business Valuers Professional Practice Committee (the "Sub-committee") has reviewed the discussion paper dated November 2005 entitled "*Measurement Bases for Financial Accounting – Measurement on Initial Recognition*" prepared by staff of the Canadian Accounting Standards Board on behalf of the International Accounting Standards Board. We are writing to provide you with our comments on this document, including the following:

***Estimates and Substitutes Re: Fair Value***

It is the consensus view of the Sub-committee that guidance should be provided as to when the practitioner can move quickly to level 3 and 4 (Substitutes for Fair Value), having determined that levels 1 and 2 (Estimates of Fair Value) are not applicable to the particular asset. Guidance may include criteria that the practitioner may consider in his/her preliminary assessment of whether or not a more in-depth analysis of levels 1 or 2 is required in these circumstances. The guidance may enumerate classes of assets for which levels 1 and 2 are likely not applicable (for example, patents).

***Substitutes for Fair Value – Levels 3 And 4***

In the hierarchy of fair value assessment, levels 3-Estimate of Current Costs is placed ahead of level 4-Models or Techniques. Furthermore, the paper indicates level 4 is applicable when the "*conditions of level 1, 2, or 3 cannot be met*".<sup>1</sup> It is the consensus view of the Sub-committee that level 3 is not necessarily a preferable method to level 4 in all circumstances. For example, in circumstances where the historic cost base of the asset is not indicative of fair value, level 4 would be preferable to level 3. For example, this situation may arise in determining the fair value of a particular customer contract.

***Value Terminology***

It is the consensus view of the sub-committee that a fair market value definition would be more appropriate for the purposes of financial reporting and using a fair value definition adds unnecessary confusion. That said, changing to a fair market value definition at this late juncture of the proceedings may not be warranted.

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<sup>1</sup> Page 13 of the paper



### ***Restrictions on Use of the Report***

This study contemplates fair value as the appropriate measure of value for specific circumstances. It is the consensus view of the Sub-committee that any reports or other public documents prepared to determine the fair value of assets for initial recognition in financial reporting clearly outline that reliance on the analysis and conclusions may not be appropriate for other purposes (e.g. tax reporting, litigation, etc.). Valuation reports prepared for financial reporting purposes should include a specific caution on such reliance.

Should you wish to discuss our comments further, we would be pleased meet with you at your convenience,

Yours very truly,

Farley Cohen, MBA, CA•IFA, CBV, CIRP, ASA  
Chair,  
Valuation in Financial Reporting Sub-Committee  
Professional Practice Committee

cc. Jeannine Brooks, CICBV Executive Vice-President