



29 March 2011

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON IVSC EXPOSURE DRAFT OF *TECHNICAL INFORMATION PAPER 2 DEPRECIATED REPLACEMENT COST*

Responses to be received by 13 May 2011

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments from constituents to the International Valuation Standards Council (IVSC) Exposure Draft of *Technical Information 2 Depreciated Replacement Cost* which can be downloaded from the Institute's website at: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

In order to assist valuation professionals in identifying best practice the International Valuation Professional Board is preparing a series of Technical Information Papers (TIPs). TIPs do not form part of IVS and are published separately. Although the TIPs are designed to promote consistency of practice and support the application of the principles in the IVS, they are not intended to be mandatory.

The objective of the Exposure Draft is to provide guidance on the application of the 'Depreciated Replacement Cost' (DRC) method of valuation, the most common valuation method under the cost approach. The cost approach estimates value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. It can be applied to a wide range of asset types and is frequently used when there is either very limited or no evidence of sales transactions (such as the valuation of specialised assets arising in business combinations).

Comments are invited from any interested party, which should be supported by specific reasoning and should be submitted in written form.

To allow your comments to be considered, they are requested to be received by the Institute on or before **13 May 2011**.

Comments may be sent by mail, fax or e-mail to:

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Comments may be made available for public review unless otherwise requested by the contributor.