



26 July 2012

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

**INVITATION TO COMMENT ON IVSC DISCUSSION PAPER *VALUATION IN THE EXTRACTIVE INDUSTRIES***

***Responses to be received by 14 September 2012***

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) Discussion Paper *Valuation in the Extractive Industries* which can be downloaded from the Institute's website at:  
<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The IVSC has formally launched a new project designed to provide greater valuation guidance to the mining, oil and gas industries. In a Discussion Paper being distributed to industry participants, the IVSC is seeking input on the form and scope of valuation guidance needed in the extractive industries, and consults on current practice on the types of assets being recognised and valued, valuation methodologies employed, and the recognition of intangible assets and goodwill in practice.

The IVSC had previously issued Guidance Note 14 *The Valuation of Properties in the Extractive Industries* (GN 14). However, this guidance was not included in the revamped valuation standards issued in July 2011 on the basis of the outdated IFRS standards referenced in the guidance, the IASB's project on extractive activities and a number of valuation issues that were causing difficulty in the sector that were not referenced in GN14.

Some of the topics discussed in the Discussion Paper include:

- Whether combined standards and guidance for extractive industries are appropriate, or whether separate pronouncements for mining and for oil and gas should be produced
- Whether the project should focus just on the valuation of reserves and resources or should it extend to other assets employed in the industry and to entire businesses in the sector (noting the interdependence of a) reserves and resources, b) capital equipment for extraction, c) infrastructure for extraction and, d) intangible assets employed in extraction)
- Identifying the valuation methods most commonly used for valuing producing reserves, reserves undergoing development and reserves or resources subject to exploration, and the inputs and approaches used in each of the market approach, discounted cash flow approach and cost approach
- Identifying intangible assets that are customarily separately identified and valued for acquisition accounting under IFRS 3 *Business Combinations* (or any similar accounting requirement) or in transactions between entities in the extractive industries - including what value (if any) is attributed to components of goodwill, and whether intellectual property is separately recognised and measured.



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 **14 September 2012**.

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.