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Financial Accounting Standards Board
Norwalk, CT 06856-5116
By e-mail to director@fasb.org



LETTER OF COMMENT NO. 37 A

**Re: Invitation to Comment: Valuation Guid
File Reference No. 1520-100**

Dear Sir:

I welcome the opportunity to respond to the Invitation to Comment (ITC): Valuation Guidance for Financial Reporting. I am providing some general comments before responding to the specific questions raised in the ITC.

General Comments

I have been involved in minerals and petroleum industry valuation standards development for many years in a number of countries, including the USA. In recent years though, I have opposed the proliferation of national valuation standards, resulting in my working to halt the development of the USA national valuation standard for minerals and petroleum assets.

In year 2000, I placed my support behind the global valuation standards project of the International Valuation Standards Committee (IVSC). I formed the IVSC's Extractive Industries Task Force, which I have Chaired since 2001. Our all-volunteer Task Force developed the IVSC's valuation standards for minerals and petroleum, first published in the 2005 edition of the International Valuation Standards (IVSs). The Task Force has since drafted comprehensive supplemental best practice valuation guidelines for the extractive industries.

The pressure for global convergence of standards and regulations, particularly for financial reporting, are nowhere more evident than in the minerals and petroleum industries. Completion of the convergence of US GAAP and the International Financial Reporting Standards (IFRSs) will greatly benefit these two industry sectors. Similarly, we must work towards having only one set of global valuation standards. The IVSs are the only valuation standards that can fulfil this role. The IVSC, particularly after its 2007 restructuring, is the only body in the world that is suited to maintaining, improving, and supporting such standards.

Responses to Questions Posed in the ITC

Question 1 – Is There a Need for Valuation Guidance Specifically for Financial Reporting?

Supplemental interpretative and implementation guidelines are needed for financial reporting, as is provided in the IVSs. Separate valuation standards are not needed. The fundamental principles and

concepts of valuation standards have broad application across a multitude of purposes and uses of valuations.

Question 1 (a) – Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

Valuation standards should be principles-based, similar to what the IASB and FASB are working towards for financial reporting standards. Carefully limited supplemental best practice guidelines have a role for difficult niche areas, which is why my IVSC task force has developed such for the minerals and petroleum industries. However, detailed implementation guidelines should remain the stuff of textbooks and lecture notes, to prevent these from constraining advancement of professional practice.

Question 1 (b) – What should be the duration of any valuation guidance setting activities?

Due to the continual evolution of industries, markets, and financial instruments, standards development is a continuing process with no fixed life.

Question 2 – What level of participation should existing appraisal organisations have in establishing valuation guidance for financial reporting?

As has been done by my IVSC Extractive Industries Task Force, valuation standards should be developed by bringing together the best valuation experts available globally, independent of appraisal organizations. Politics and organization missions must be kept out of the standards development and standards maintenance process. The restructuring of the IVSC is designed to enhance its technical capabilities to develop and maintain high-quality standards.

Question 3 – What process should be used for issuing valuation guidance for financial reporting?

I recommend that the process of setting valuation standards and guidance for financial reporting be undertaken at the international level to ensure consistency and reduce the need for future convergence of various national standards and professional requirements at a later date. This is the obvious appropriate role for the IVSC. Enforcement can remain at the national level.

Question 4 – Should the process of valuation guidance be on an international or national level?

For global industries such as the minerals and petroleum industries, it is absolutely essential that valuation standards be international, not national. It is impossible to have national standards without there being inconsistencies between nations.

Sincerely,

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