Legitimacy to develop fair value measurement standards: The Case of the IVSC Discussion Paper – Determination of fair value of intangible assets for IFRS reporting purposes

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LEGITIMACY TO DEVELOP FAIR VALUE MEASUREMENT STANDARDS THE CASE OF THE IVSC DISCUSSION PAPER – DETERMINATION OF FAIR VALUE OF INTANGIBLE ASSETS FOR IFRS REPORTING PURPOSES

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ABSTRACT

This research studies, through a content analysis of the comment letters to the IVSC project on fair value determination of intangible assets, the legitimacy of this professional body, or of the accounting associations, to develop measurement standards specific to this accounting concept. At present, with the exception of FAS 157, no professional standard offers clear technical solutions for fair value determination for financial reporting purposes. We have come to the conclusion that, among respondents, accountants are more reserved than valuators in what regards the IVSC regulating of the fair value measurement. The Anglo-Saxon respondents are more open to accept the IVSC DP as compared to respondents from other countries, hence the IVSC legitimacy to develop fair value measurement standards. Generally, we consider that accounting bodies, rather than valuation bodies, should have legitimacy to develop fair value measurement standards.

Keywords: *fair value, professional standards, valuation techniques, guidance, project acceptation, value hierarchy*

1. INTRODUCTION

Fair value has been approached in the accounting literature, standards and regulations from a conceptual, methodological point of view, while also having in mind its effects. The literature focused mainly on the contribution of the fair value to the quality of the accounting information, on its advantages and disadvantages, especially in comparison with the concept of historical cost. Although the aim of this paper is not related to such a discussion, we offer an example regarding the arguments for using fair value for financial reporting purposes. Fair value is more value relevant, it reduces the agency costs, it develops managerial efficiency, and it ensures the disclosure of complete and transparent information (Barlev and Haddad, 2002).

Hereinafter, we focus on the involvement of the regulatory bodies in clarifying the concept, especially the valuation rules for financial reporting purposes. In this context, we refer both to accounting and valuation associations.

The first type of assets measured at fair value was financial instruments, and the need to evaluate them is mainly identified in the economies that use the capital market as a finance source. This is the case of the American economy and this is the reason why we find here most of the regulations regarding the methodology of fair value measurement issued by accounting regulators, such as the Securities and Exchange Commission (SEC). In spite of the existence of a series of standards issued by the FASB in the last decades and of some SEC regulations, there is still a search for better solutions related to the measurement of financial instruments and other assets, since correct fair value measurement is highly important. In this respect, investment funds and long term investments represent a challenge, as their undervaluation or overvaluation influence the fund asset base and the related interests (Kraft, 2005). SEC is more and more involved in the methodology for determining fair value and tries to identify the factors to be considered when choosing the valuation method. Consultancy agencies conduct studies regarding fair value use and fair value determination techniques, as it is the case with Deloitte & Touche and its dynamic study conducted on the American market between 2001 and 2005. The message of all these actions is the need to improve valuation techniques, to increase the

valuation frequency, and to develop technical solutions flexible in time, that is to increase the level of involvement of a third party (valuator) in valuation or attestation of valuation (Kraft, 2005).

With respect to the valuation of tangible assets (property, plant and equipment) in terms of qualitative requirements in the international, American, and British accounting conceptual frameworks, Herrmann *et al.* (2005) states that, although the valuation bases are indicated, neither the Financial Accounting Standards Board (FASB) (until FAS 157 *Fair Value Measurements* was issued) nor the International Accounting Standards Board (IASB) present what applies in a specific situation and what principles should be considered. In general, there is a concern that the valuation methodologies, more or less broad, suggested by accounting associations do not make a direct connection with the accounting information qualities, which must be assured by fair value measurement, i.e. relevance, reliability, comparability and consistency. Among the conceptual frameworks of the Anglo-Saxon accounting systems, the British one is considered to be better, although incomplete, as it offers a logic scheme of the type of value that should be estimated for assuring fair value relevance (Herrmann *et al.,* 2005).

The involvement of the International Valuation Standards Committee (IVSC) in fair value measurement starts with the development of the International Valuation Application IVA 1 called *Valuation for Financial Reporting*, reviewed in 2005 so as to reflect the changes within IFRS, and it continues with other standards and projects. However, IVSC actions are also subject to criticism. It is argued that it does not offer concrete solutions to fair value measurement, but only the general objective and the basic principles. Thus, specific techniques are to be searched in manuals and other technical papers.

In the context of the global economic crisis, we can state that the first fair value crisis also occurs. Fair value is accused of exacerbating the economic crisis as the valuation of losses at market value was immediately noticeable in the disclosed result situation, and the value decrease and risk increase contributed to market non-liquidity. Currently, both international accounting and valuation associations focus on the quality of their standards and implicitly on the methods of fair value measurement. For example, IVSC considers standardization of valuation, which is essential for the decrease of investment risk, the increase of credit given to financial reporting, and the provision of consistent approaches to assets. In this context, we consider the cooperation between international professional bodies and accounting and valuation regulators to be crucial, as well as the clarification of the authority/legitimacy in developing valuation rules.

2. RELATED STUDIES AND THEORIES USED

Starting with the fair value approach in professional standards, we will present herein several landmarks regarding the involvement of IVSC, IASB and FASB in this subject up to present.

Through its IVA 1standard, IVSC shows that when the fair value model is applied, market values, and sometimes values different from market value, can be determined. Beside this standard, IVSC has developed other projects for financial reporting, such as the project *Valuation of assets for financial statements (2004);* the paper *Valuation according to IFRS* (2007); exposure draft regarding the review of GN 3 *Valuation of plant and equipment,* with the purpose of assuring consistency with IVA 1 *Valuation for financial reporting* and reflecting the changes in IFRS. Our study analyzes the discussion paper *Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes* (2007) as we had access to the related comment letters.

As to the accounting profession, there was a reticence upon using fair value, as historical cost is considered more reliable than the relevance of fair value. This tendency is presented in the studies conducted throughout the past decade, such as Barlev and Haddad's (2002). However, accounting standards are more and more focused on this subject. The most involved organizations are IASB and FASB, whose activities regarding fair value will be presented hereinafter.

The first IASB rules regarding fair value were issued in 1995 within IAS 32 *Financial Instruments: Disclosure and Presentation*. Subsequently, the international regulatory body developed a series of accounting standards. The ones issued after 1999 were meant to put into practice the *accounting of the future,* such as IAS 36 *Impairment of assets* or IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS are other international standards that regulate fair value consistently. Among them, we mention IFRS 3 *Business combination* (2004), IFRS 5 *Non-current assets held for sale and discontinued operations* (2005).

For the past 10 years, FASB has developed or changed its accounting standards, requiring fair value measurements and disclosures. The increased use of fair value led to the development of two standards on fair value measurement, i.e. FAS 157 *Fair Value Measurements* (2006), and FAS 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (2007). In our view, the former is the most complete standard to date among accounting and valuation standards, as it offers concrete solutions for assets fair value measurement (Deaconu, 2009). Nevertheless, it is criticized to focus on financial instruments rather than on tangible or other type of assets (IVSC, 2007b). As to the solutions for fair value implementation, the literature approaching the fair value topic from the perspective of the accounting profession and of the US accounting regulations offers a series of techniques and types of value that should be determined in relation with the nature of the assessed asset and the market information available. However, there is no reference to the international, regional or national valuation standards established for assets (Barlev and Haddad, 2002).

Any innovation or reform, therefore including the one on valuation methods salience and ranking, needs reasons and harmonization with the existing perceptions in order to assure its legitimacy and, more generally, its acceptance (Munir, 2005 quoted by Windels and Christiaens, 2007). The institutional theory presents the rules third parties impose on organizations.

Our study is part of the institutional studies category as it deals with the case of accounting and valuation rule-making agencies (Carnegie and Napier, 1996), more exactly IVSC and IASB. IASB position is rounded off by FASB position as the later has an advance with regard to its involvement in developing fair value measurement rules. We wish to highlight the positions of these two types of professional bodies involved in valuation for financial reporting purposes.

The interaction between IVSC and the respondents on the occasion of the launching of the discussion paper on the determination of fair value of intangible assets (hereinafter called DP) for public comments is consistent with an institutional theory explanation of organizational change and adaptation to environment pressures (Kenny and Larson, 1993). Our study analyzes the relationship of the standard-setting organization (in this case, the IVSC) with its constituents from a strategy standpoint. It tries to establish the more or less important role third parties give to professional bodies. Moreover, according to the same institutional theory (Previts *et al.,* 1990), our study tries to identify the way in which IVSC could influence fair value measurement practices and policies.

The literature associates the institutional theory even with legitimacy (DiMaggio and Powell, 1983 quoted by Mitchell *et al.*, 1997). Regardless of its objective, legitimacy indicates the principle of whom or what really counts (Mitchell *et al.*, 1997). The same authors state that the notion of legitimacy refers to socially accepted and expected structures or behaviors, and is often coupled with the notion of power. We subscribe to this association which leads to the creation of authority, defined by Weber as the legitimate use of power (Weber, 1947 quoted by Mitchell *et al.*, 1997). Starting from these considerations, we wish to bring forward arguments regarding the acceptance of the legitimacy of one or another professional body involved in fair value measurement standard setting.

3. RESEARCH DESIGN

3.1. Research objective and methodology

This paper analyzes the comment letters of the IVSC Discussion Paper from the perspective of the relation between asset valuation standard-setters and accounting standard-setters.

Firstly, IVSC DP allows us to identify the way in which this professional body is involved in the development of fair value valuation, which is an accounting concept. The answers to the DP complete this image with opinions on different items or questions launched in the DP and which directly or indirectly denote the respondents' position on IVSC's legitimacy to develop such rules.

Secondly, we have tried to shape the authority of the accounting standard-setters, i.e. IASB and FASB, in developing fair value valuation rules along with the concrete methods of doing so. We have shaped the statute of the accounting associations regarding this issue by analyzing the perception of the respondents to the IVSC DP, taken from the answers to certain themes (IVSC, 2007b) or even from direct questions of IVSC regarding its position in relation to accounting associations (IVSC, 2007a). For example, we consider as direct question of the DP the one about a possible advantage of the valuation methods hierarchy brought forward by IVSC as compared to the one proposed by FASB.

Five analysis themes were selected, either questions/items issued by IVSC or themes set out by us, necessary in order to reach the objective of this research. These are presented and explained as follows:

a) The subordination of fair value measurement rules, especially those for intangible assets, for financial reporting purposes, to the existent accounting standards (having in mind IFRS) or future accounting standards (having in mind the IASB project on developing a standard for fair value determination, in the context of IFRS and US GAAP convergence process);
b) The opportunity of IVSC developing this DP, theme that can be found especially in the direct question from the chapter on the general approach of the DP (2.2.1) (IVSC, 2007a);
c) The relevance of intangible assets valuation methods for financial reporting purposes proposed in the DP, especially when compared with the relevance of the accounting normalization documents dealing with this methodology (i.e. SFAS 157 issued by FASB) (FASB, 2006);

This theme is a result of the DP questions (IVSC, 2007a) regarding the selection of appropriate methods that follows an assessment of the relative reliability of data inputs (question 2.21.2 in the DP), then the question on whether this approach of the DP is more suitable than set out in SFAS 157 (2.21.2), and the question regarding the selection of those methods which are customary for the determination of fair value of intangible assets and their selection according to their reliability (2.17.1 and 2.17.6).

d) The advantage of the hierarchy proposed by IVSC in comparison with the one proposed by SFAS 157. This theme is suggested by the DP questions regarding the hierarchy proposed by IVSC, taking into account its relevance against the hierarchy proposed by SFAS 157;

Briefly, the DP prioritizes the approaches based on market and cost comparison, against the revenue approach, these being the three classical approaches of assets and business valuation. Within these, there are technical recommendations concerning applicable techniques.

e) The need to make use of the "value in use" for assets valuation for financial reporting purposes. This type of value is somewhat shot down in the DP, but it is still specific to financial reporting.

Value in use is defined within the valuation standards as a market value with two characteristics, i.e. the buyer wants the asset in its current state with the purpose to continue the activity; the entity is a going concern meaning it will continue in operation for the foreseeable future (IVSC,

2008). This value makes use of market information but also of data specific to the entity using the asset and it is specific to a certain use and even a certain user (Deaconu, 2009).
The methodology used in this study is the content analysis, accompanied by a statistical integration meant to extract the essence of the expressed opinions and to find possible convergence of opinions, statistically demonstrated.

Thus, the analysis themes were identified and elaborated through the means of the content analysis method (Smith, 2003: 147-149; Dawson, 2002). The analysis was of underlying themes type and it focused on clusters of words related to the same theme. Then, we applied the comparison, selection and synthesis technique. Thus, we transformed cluster elements into the above mentioned *themes* concisely named within the tables of our study, for example *IVS-IFRS Rate* for theme *a)* above, which refers to the submission of valuation standards to the provisions of accounting standards.

Subsequently, with the help of the same content analysis method, we identified the respondents' messages transmitted directly or indirectly, messages that imply an opposed, neutral or supportive position towards one of the analysis themes. The content analysis focused both on the message of the comment and on its tone, consistent with Holsti (1969) and correlated with other studies that applied this type of analysis, such as Kenny and Larson's (1993).

The analysis engages the respondents' characteristics i.e. the type of organization, namely the geographic location, in order to conduct additional integration which should allow the identification of certain patterns between responses and respondents.

3.2. Research hypotheses

Having in mind the international context regarding the fair value importance and measurement methods, as accounting concept, the content of IVSC DP and the general tone of the comment letters, we set out the following research hypotheses:

H1: Legitimacy to develop fair value measurement standards falls under the head of accounting standard-setters rather than valuation standard-setters.

We start from the idea that accounting associations (standard setting bodies, accounting information producers and auditors) are directly interested in the solutions for fair value measurement for financial reporting purposes. Moreover, given the economic context at the date when the IVSC DP was issued (July 2007) – fair value use extended at international level, including for other assets than the financial assets – we expect a real confrontation between accounting respondents and respondents involved in assets valuation (member organizations of valuation professional bodies or other professionals with discount and valuation activities). In our view, the accounting standards must clarify the methods of fair value measurement in order to assure the qualitative characteristics of accounting information.

Valuation rules, a concept mentioned in this study, refer to a set of actual standards, guidance, case studies and other documents containing technical details. Our aim is not to establish whether IVSC DP is adequate from the point of view of its form and its coherence with the other IVSC standards, IVS.

H2: Accounting professionals and professional bodies are more reluctant to the content of IVSC DP than valuators.

This is a logical position, of standing up in the interest of their own profession, and on the other hand it is consistent with the idea that fair value is an accounting concept and its estimations are disclosed and must be of help for the decision makers who use accounting information, and not for the valuation consultancy providers.

H3: Professionals and professional bodies from Anglo-Saxon countries accept the content of the IVSC DP at a larger scale than other countries.
Given the fact that valuation has Anglo-Saxon origins, as it developed as a practice mainly in the countries were businesses are financed from the capital market, and, on the other hand, that IVSC was established and developed by valuation professional bodies from the UK and the USA, we expect the representatives of these countries to support the IVSC project analyzed in this study.

Without going into details, we support the differentiation of accounting systems into Anglo-Saxon and European Continental, as different studies confirm [(2)]. We extrapolated this differentiation to valuation standards for financial reporting purposes, and we established the "Anglo-Saxon countries" and „Other countries" clusters in relation with the DP respondents. The later cluster includes European countries and also countries from other regions of the world.

4. RESULTS

4.1. Respondents analysis

Appendix 1 presents the respondents to the discussion paper on intangible assets fair value issued by IVSC. The 21 respondents, out of which one anonymous was excluded, were classified according to three criteria, namely type, activity sector and country of origin. The separation of responses according to the last two criteria leads to the establishment of two clusters important for the interpretation of those responses, i.e. the valuators cluster and the accountants cluster, and, on the other hand, the Anglo-Saxon countries and other countries clusters. We will identify patterns between response and respondents.

Firstly, the respondents were differentiated according to their type into consulting companies, professional bodies, independents involved in the accounting or valuation practice (frequently representatives of certain consulting companies) and academics. One can notice a uniform distribution of the responses between companies, professional bodies and independents (practitioners, academics). Each of them has a share of almost a third of the total. We will not further analyze the significance of the responses under this criterion.

Secondly, the activity sector criterion differentiated the respondents into valuators and accountants, an important separation for the testing of hypothesis H1 in our study. Among the 20 responses for which we identified the activity sector, 55% represent the answers of professionals strictly involved in valuation activities, while the total number of respondents involved in this sector including the accounting professionals represents 70% of the total responses. We consider the result to be somewhat justified by the fact that IVSC is the professional body that launched the project. However, contrary to what we expected, i.e. fair value is a concept which should interest both accountants and valuators, only a quarter of the respondents have accounting activities. One explanation could be that many accounting practitioners do not consider that fair value measurement falls under their task. This point of view is induced by the low development of the valuation methodology in the accounting standards, with the exception of FASB standards.

Finally, the country of origin criterion highlighted 60% of the respondents as inhabitants of Anglo-Saxon countries, out of which half are Americans. We included the two international accounting firms in the other countries category. Hypothesis H2 of this study will be tested using these two clusters.

4.2. Analysis of responses to the discussion paper

The content analysis of the comment letters led to the selection of the five themes relevant to our study and then to the interpretation of the message and tone of the respondents regarding these

themes. Moreover, we performed some statistical tests in order to identify patterns between respondents and responses in relation to the two criteria that allowed for a cluster analysis. *Appendix 2* presents the nominal codification of the responses and it reflects the supportive, opposed or neutral position as to the analysis theme. We included the lack of answer to a certain theme into the neutral position. *Table 1* below offers a summary of these responses.

Table 1 Summary of the respondents' positions

Themes / *Respon-se type*	*IVS-IFRS Rate*	*DP Opportunity*	*Relevance of the DP methodology*	*Superiority of the DP against FASB valuation hierarchy*	*Importance of using the concept of value in use*
Support	3	12	0	2	5
Neutral/no comment	8	7	12	13	16
Oppose	10	2	9	6	0

Almost half of the answers (48%) support the influence of the accounting standards over the assets valuation methodology when this is made for financial reporting purposes. The points of view are divided when it comes to the rate between valuation standards and accounting standards (38%).

Most of the respondents welcome the DP opportunity, even if the content analysis often revealed critical tones regarding certain aspects. There were IVSC positions or solutions opposed by some respondents or remarks regarding the mixture of principles, guidance and technical solutions offered in the same document. There were comments on the professional standards in general, and IVS in particular, which represents a set of principles, and not of rules. The general message is that the solutions brought forward by the analyzed DP should be the object of a professional guide and not of a real standard. Likewise, many elements of the DP were mentioned as parts that should be included in existing standards. Beside the obvious support position for the DP opportunity, there were many neutral positions as it is the case for the first analysis theme.

The relevance of the methodology proposed by the DP for fair value measurement of intangible assets is not supported by any of the respondents. The majority criticized it, even if there were some positive aspects mentioned. Thus, we identified 12 neutral positions and 9 oppositions.

Only 10% of the respondents consider the valuation hierarchy proposed by the IVSC to be superior to the one proposed by FASB in FAS 157 *Fair Value Measurement*. The others are reluctant to offer a clear response (some state that there was no need for such comparison as the valuation should be made according to the assets nature and specific market met in practice) or support the FASB hierarchy (29%).

The last analysis theme, concerning the clarification of the content and measurement method of the value in use, which we consider to be the main type of value that should be determined for financial reporting purposes, had only 5 support answers, while 76% of the respondents were neutral in this respect. As a result, we will not interpret this theme hereunder.

We further present the results of the tests meant for the statistical interpretation of the responses. Using the SPSS program, we applied the Independent Samples T Test, and we noticed that there are no significant differences between clusters. This is because the size of the sample is pretty small. Instead, we came to better results by studying the mean values obtained. We grouped the responses for each of the five analysis themes as follows: 1 – Support, 2 – Neutral, 3 – Oppose. Thus, we were able to establish which of the clusters was more specific to one of the three values in the message of the answer. Our interpretation is differentiated according to the criterion in question.

A. The interpretation of responses according to the activity sector
Table 2 shows the results of the statistical test.

Table 2 Analysis of responses by activity sector: concept of means

	Accounting/ Valuation	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
IVS-IFRS Rate	Accounting	6	2.00	.632	.258
	Valuation	8	2.63	.744	.263
DP Opportunity	Accounting	6	1.67	.816	.333
	Valuation	8	1.38	.744	.263
Relevance of the DP methodology	Accounting	6	2.50	.548	.224
	Valuation	8	2.50	.535	.189
Superiority of the DP against FASB valuation hierarchy	Accounting	6	2.33	.516	.211
	Valuation	8	2.13	.641	.227
Importance of using the concept of value in use	Accounting	6	1.83	.408	.167
	Valuation	8	1.88	.354	.125

It is noticeable that accounting respondents are neutral as to the subordination of the valuation standards to the IFRS requirements (*mean = 2.00*), while valuators are aware of and support this idea (*mean = 2.63*). However, accountants support IVSC's establishing the fair value measurement method less than valuators. The two types of professionals have an identical approach to the relevance of the DP methodology, namely they rather oppose it. However, accountants are clearer in rejecting the superiority of the DP valuation hierarchy than valuators.

In general, we consider that accounting professionals and professional bodies are rather reluctant to the DP content and to the DP importance as compared to the accounting standards.

B. The interpretation of responses according to the country of origin

The mean values allotted to the responses of the two clusters (Anglo-Saxon countries and other countries) are presented in *Table 3*.

Table 3 Analysis of responses by country of origin: concept of means

	Anglo-Saxon (AS)/ Other countries (OC)	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
IVS-IFRS Rate	AS	12	2.25	.754	.218
	OC	8	2.38	.744	.263
DP Opportunity	AS	12	1.58	.669	.193
	OC	8	1.50	.756	.267

Relevance of the DP methodology	AS	12	2.42	.515	.149
	OC	8	2.50	.535	.189
Superiority of the DP against FASB valuation hierarchy	AS	12	2.17	.577	.167
	OC	8	2.25	.707	.250
Importance of using the concept of value in use	AS	12	1.67	.492	.142
	OC	8	1.88	.354	.125

Table 3 (column “mean”) suggests the fact that respondents from Anglo-Saxon countries support the dependence of IVS on IFRS less than respondents from other countries, even though both clusters admit the influence of the accounting standards when valuation is made for financial reporting purposes. All the countries represented by the respondents have a relatively close position as to the DP opportunity, somewhere between support and neutral. The other countries dismiss more strongly the relevance of the DP methodology than the Anglo-Saxon countries. This is also the case for the superiority of the DP against FASB valuation hierarchy.

In general, we consider that the Anglo-Saxon countries (USA, UK and Australia) support the DP to a larger extent than the other countries.

CONCLUSIONS

Taking into consideration the research hypotheses, the findings of the content analysis conducted on the comment letters, and the statistical integration of the responses, we have came to these final conclusions.

With respect to H1, regarding the legitimacy of accounting rather than valuation bodies to develop fair value measurement standards, we incline to support it. Our argument is based on the findings of descriptive statistics which mainly show: the need to subordinate the development of valuation rules to the content of IFRS; the relative balance between the supporters of the DP opportunity and the ones who take a neutral position; the criticism followed by dismissal or non-usefulness regarding the relevance of the DP methodology (which in many cases was accused of not being in accordance with the nature of the intangible assets and with the practical realities); the rejection of superiority of the DP against FASB valuation hierarchy.

Table 2 and its interpretation validates H2 regarding the reserve that accountants manifest towards IVSC regulating fair value measurement. Finally, H3 is also validated by the statistical interpretation of Table 3. Thus, respondents from Anglo-Saxon countries are more open to accept IVSC DP than respondents from other countries, hence the legitimacy of IVSC to develop fair value measurement standards.

Finally, the study tries to come to a conclusion regarding the legitimacy to develop fair value measurement standards and its acceptance by the professionals involved in fair value determination, i.e. accountants and valuators. The legitimacy of accounting bodies (here IASB and FASB) in this field is not clearly demonstrated. However, we identified a serious reluctance to accept IVSC DP, which is a paper focused on the fair value of intangible assets. Some answers were very direct as they recommended IVSC to wait for the finalization of the IASB standard on fair value and for the updating of FAS 157 planned by FASB. The relevance of the IVSC methodology for intangible assets is questionable, as there are opinions that the solutions provided by FAS 157 are more accurate and more related to practice.

All these can result in the non-legitimacy of the IVSC in the analyzed field, but this does not necessarily imply the legitimacy of the accounting bodies. Moreover, we cannot state that the findings of this DP analysis can be extended to all IVSC actions. What results from our analysis is the significant role of the accounting profession in fair value measurement and the need to clarify the role of accounting standard-setting bodies in establishing the rules of the game with respect to a concept that could influence the decisions of the accounting information users. This fact is also underlined by the current global economic crisis.

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Notes

(1) We use the term *IFRS* to refer to both the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), IASC's successor.

(2) Examples of studies that argue for the classification of the accounting systems in AS and EC are: Nair and Frank (1980), Nobes (1998), Gernon and Meek (2001).

Appendix 1 Respondents to IVSC Discussion Paper *Determination of fair value of intangible assets for IFRS reporting purposes*

No.	*Respondent*	*Type of respondent*	*Activity sector*	*Country of the respondent*
1	Timothy P. O'Keefe	Individual	Accounting	UK
2	Rafael Torres Navarro	Individual	Accounting	Columbia
3	Don Anders, Wipfli CPA's and consultants	Individual, but member of a company	Accounting	USA
4	Wang Haisu, Wen Hao	Academics	Economics	China
5	Roger Grabowski, Duff & Phelps	Consulting company	Valuation	USA
6	Roger Sinclair, Kevin Lane Keller	Academics	Economics	UK
7	The Canadian Institute of Chartered Business Valuators	Professional Body	Valuation	Canada
8	The Royal Institution of Chartered Surveyors (RICS)	Professional Body	Valuation	UK
9	Australian Property Institute (API)	Professional Body	Valuation	Australia
10	Institut der Wirtschaftsprufer in Deutschland	Professional Body	Valuation	Germany
11	Intangible Business LLC	Consulting company	Valuation	USA
12	Association Actuarielle Internationale (AAI)	Professional Body	Valuation	Canada
13	Anonymous	-	-	-
14	Austin Valuation Group LLC	Consulting company	Valuation	USA
15	KPMG	Consulting company	Valuation, Accounting	International
16	The Institute of Chartered Accountants in Australia (CA)	Professional Body	Accounting	Australia
17	Marshall & Stevens Inc	Consulting company	Valuation	USA
18	Gerald Mehm, Carla Glass	Individuals	Valuation	USA
19	International Association of Consultants, Valuators and Analysts (IACVA)	Professional Body	Valuation	Canada
20	Lonergan Edwards & Associates Limited	Consulting company	Valuation, Accounting	Australia
21	Ernst & Young	Consulting company	Valuation, Accounting	International

Appendix 2 Respondents' positions listed and grouped according to the five research themes

No. of res-pon-dent	*IVS-IFRS Rate*	*DP Opportunity*	*Relevance of the DP methodology*	*Superiority of the DP against FASB valuation hierarchy*	*Importance of using the concept of value in use*
1	N	N	N	N	S
2	N	N	N	N	N
3	S	S	O	S	S
4	O	N	N	N	N
5	N	N	N	N	N
6	N	N	N	N	N
7	S	S	N	N	N
8	O	S	O	S	N
9	O	S	N	N	N
10	O	O	O	O	N
11	O	N	N	N	N
12	O	S	O	N	N
13	O	S	O	O	N
14	N	S	N	N	N
15	O	O	N	N	N
16	N	S	O	O	N
17	S	S	N	N	N
18	O	S	N	O	S
19	O	S	O	O	S
20	N	N	O	N	S
21	N	S	O	O	N

Where S – support; N – neutral or no comment; O – oppose

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