



MEMORANDUM

To: Technical Representatives
From: Roger Morris
Date: 2 June 2015
Ref: TM 04/15

OBTAINING FAIR VALUES OF FINANCIAL INSTRUMENTS FOR AUDIT PURPOSES

The advent of FRS 102 (which will also affect small companies for periods commencing on or after 1 January 2016) will require certain financial instruments, currently measured at historic cost, to be included within financial statements at “fair value”, (an accounting estimate). Such financial instruments for which there is no readily available market value (which will include certain complex bank loans, non over-the-counter products, interest rate swaps etc.) will see clients reliant on valuations from the provider, usually a bank (the “counterparty”).

These fair values will require auditing (as a valuation from the counterparty is unlikely to be regarded as independent audit evidence), with the requirements of ISA (UK and Ireland) 540 dictating that the valuation is effectively “reperformed”. Without specialist knowledge in measuring financial instruments (which it is likely that few HAT member firms will possess), it would be necessary to utilise a third party to provide audit evidence, such as a specialist consultant. If this consultant is instructed by the auditor, they would be regarded as an auditor’s expert, with their services being considered in accordance with ISA (UK and Ireland) 620.

HAT has obtained contact details for two specialist consultants, which have been obtained by recommendation (one from a HAT member firm, the other from the ICAEW), and following discussions with them, each is willing to provide valuation services to any HAT member firm.

Information regarding each consultant is set out on the following two pages, one of whom has agreed to outline their valuation services at a presentation (for which there is no charge for attendance) to all HAT Member Firms. It is requested that anyone who wishes to attend could confirm their place at the presentation.

12 COCK LANE, LONDON EC1A 9BU
TEL: 020 7213 9911 FAX: 020 7213 9922
EMAIL: hat@hatgroup.co.uk
www.hatgroup.co.uk

ACCOUNTING DIRECT PLUS LIMITED . ALWYNS LLP . APPLEBY & WOOD . ASHCROFT ANTHONY . BARRONS . BEAVIS MORGAN LLP . BIRD LUCKIN . BOURNER BULLOCK
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OBTAINING FAIR VALUES OF FINANCIAL INSTRUMENTS FOR AUDIT PURPOSES ~ AHV ASSOCIATES LLP

Fair values of financial instruments will require auditing (as a valuation from the counterparty is unlikely to be regarded as independent audit evidence), with the requirements of ISA (UK and Ireland) 540 dictating that the valuation is effectively “reperformed”.

Without specialist knowledge in valuing financial instruments, it would be necessary to utilise a third party to provide audit evidence, such as a specialist consultant. If this consultant is instructed by the auditor, they would be regarded as an auditor’s expert, with their services being considered in accordance with ISA (UK and Ireland) 620.

[AHV Associates LLP](#) (“AHV”) can offer valuation services, which for financial reporting purposes are summarised on their website, which can be viewed following the link below:

[“Auditors and Finance Directors ~ FRS 102”](#)

Hanif Virji is responsible for AHV’s valuation services, and he has agreed to provide a short presentation to any interested HAT Member Firm (either Main / General Practitioner Member), when AHV’s services in this area, along with indicative pricing, will be illustrated.

This presentation will be held on Thursday, 9 July 2015 at First Intuition, Conway Mews, London, W1T 6AA, and will be held from 11.30 to 12.30. Tea / Coffee will be available from 11.00, and the presentation (which will include time for questions to be asked) will be followed by a light buffet lunch, when any queries which have not been resolved during the presentation may be addressed with Hanif.

It is intended that only Senior Statutory Auditors (“R.I.”) attend this presentation, as the subject matter is one which will require “high level” input and judgment during the course of the audit (*although an R.I. may send an audit manager in lieu of themselves, if they are unable to attend*). There will be no charge for attending this presentation, and there is no limit to the number of R.I.’s who may attend per firm.

Any R.I. who wishes to attend should confirm their attendance in advance, by e-mailing Rachelle Box at rachelle@hatgroup.co.uk so that appropriate arrangements for catering can be made.

Any arrangement which a HAT Member Firm wishes to pursue should be determined directly with AHV, and will need to be contracted between the audit firm and AHV.

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REGISTERED IN ENGLAND NO 1206921 AS HOLBORN ACCOUNTANCY TUITION LIMITED AT THE ABOVE ADDRESS



OBTAINING FAIR VALUES OF FINANCIAL INSTRUMENTS FOR AUDIT PURPOSES ~ CHATHAM FINANCIAL EUROPE LIMITED

Fair values of financial instruments will require auditing (as a valuation from the counterparty is unlikely to be regarded as independent audit evidence), with the requirements of ISA (UK and Ireland) 540 dictating that the valuation is effectively “reperformed”.

Without specialist knowledge in valuing financial instruments, it would be necessary to utilise a third party to provide audit evidence, such as a specialist consultant. If this consultant is instructed by the auditor, they would be regarded as an auditor’s expert, with their services being considered in accordance with ISA (UK and Ireland) 620.

Chatham Financial Europe Limited (“Chatham”) can offer valuation services, which for financial reporting purposes are summarised on their website. Contact details for Chatham, along with a link to the relevant services can be viewed following the link below:

Company Name:	Chatham Financial Europe Limited
Contact Name:	Kern Roberts
Switchboard:	020 7766 5700
E-mail Address:	kroberts@chathamfinancial.eu
Website:	www.ChathamFinancial.eu
Specific services:	“Corporates ~ Valuation”

Any arrangement which a HAT Member Firm wishes to pursue should be determined directly with Chatham, and will need to be contracted between the audit firm and Chatham.

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