

Comments on the IVS draft

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	Questions	Answers
1	Do you find the new structure of the Standards to be logical and easy to follow? If not, what alternative would you propose?	A structure of the standards is not a principal question. However new structure of the standards seems to be more convenient to follow.
2	Do you consider that the combination of background information and specific directions to be helpful? Would you prefer all background information and explanatory information on asset classes to be removed from the standards so that only the specific directions applicable to each application or asset type remained?	Background information on the general concepts and principles and asset classification is a very important part of the standards because it gives the whole picture of the valuation philosophy in context of an economic theory.
3	Which delivery method for the new edition of the standards are you or your organization likely to use?	My organization prefer obtaining standards from the IVSC website.
4	Do you consider that this objective has been met? Do you consider that there are any additional valuation concepts and principles that should be considered and discussed in this standard?	As was pointed out earlier background information is very important. Moreover it seems to be helpful to give in the section “General concepts and principles” a brief overview of an economic theory which can explain origin of the Market Value definition together with other bases of value from the fundamental economic consideration point of view. This consideration can make use of main valuation assumptions more consistent and thereby simplify and make more objective application of valuation approaches and methods.
5	Are you in agreement with this approach or would you prefer the word “valuation” either not to be used at all or always used with qualifying words to indicate the intended meaning, for example “valuation process” or “valuation result”?	Two distinct meanings of word “valuation” do not cause any ambiguity if it is placed in correct and clear context.
6	Do you agree that these three approaches encompass all methods used in the assets or liabilities that you value? If not, please describe what approaches you feel have been omitted.	Three main approaches to the valuation encompass all methods used in the asset valuation.
7	Do you agree with this hierarchy and do you consider it helpful? If not explain if you would prefer to see no reference to a hierarchy or would prefer an alternative hierarchy.	I don’t agree with the hierarchy proposed by the draft. This hierarchy may be justified at the markets with rational participants and perfect knowledge about prices and all essential circumstances of transactions. Meantime property markets seem to be not perfect and participants can demonstrate non rational behavior due to different reasons. Thus to

		receive objective judgment, valuer will explore alternative points of view on the property utility and value. These alternative points of view are available through another valuation approaches and have the same importance. Therefore position that valuer will use all or some of the approaches and will decide independently what value references will be weighted and reconciled in the final value judgment must be kept from the previous edition of the standards. (IVS 2005, Concepts Fundamental to GAVP, par.9.4.)
9	Do you find this change of terminology to be helpful? If not please explain what alternative you would prefer and why.	The word “direct” in the term “direct market comparison approach” doesn’t give any additional sense to the approach name and therefore is unnecessary. From the other hand word “sales” underline that valuer compares sale prices (together with offers and bids). To this end term “Sales Comparison approach” is more convenient.
10	Do you agree with this proposed change? If not, please explain why and what you believe the distinction is between investment value to a prospective purchaser and special value to a prospective buyer who can realise that special value to be?	The new definition of the investment value as the value of investment for an owner is rather good and successful. It must be mentioned that the special value is a particular case of the fair value according to the definition in the proposed draft. Therefore we don’t need separate definition of the special value.
11	Do you support the continued use of the term “Investment Value” or would you prefer an alternative? If so, what would that alternative be?	There is no any necessity to change the term “Investment Value” taking into account its proposed definition.
12	Do you agree with the approach taken in IVS? If not, explain why not and give examples where you believe the highest and best use may be different from the market value.	Yes of course. Because without HABU a problem of estimating the Market Value loses its unambiguity and that’s why valuer may lose his objectivity.
13	Do you consider this proposed change in the definition to be helpful? If not, please indicate how you believe it could be improved.	Strictly and categorically NO. There mustn't be any difference in definition of fair value between IVS and IFRS. Because the fair value is the only base of cooperation between accounting and independent valuation. Any differences potentially can lead to loss of this market segment to independent valuation. On the contrary, an agreement must be achieved between IVS and IFRS bodies that entire model of the fair value (not only the cases when it coincides with the Market Value) must be supplied by the independent valuation.
14	Do you: a) Agree with the inclusion of a standard for scope of work in IVS? b) That the minimum contents identified in the draft are proportionate and represent a realistic minimum standard? If you disagree, please explain why.	Yes, agree

15	<p>Do you agree with the changes that have been made? If not, please explain what provisions of the current IVS3 you believe should be carried forward into the new standard.</p>	<p>Yes, agree</p>
16	<p>Which view do you support? If you consider that future IVS should contain application standards, do you consider that the degree of detail of those in the draft is appropriate and help the better understanding of the valuation requirements?</p>	<p>Future IVS should contain application standards to ensure better understanding between valuers and intended users of valuation. To this end I, in my turn, have a question to the IVSC. Who are intended users of Market Value Valuation as it defined in the draft in the case of strongly misbalanced markets. All investment and most types of assets which are potential objects of valuation have middle and long term use. To this end Market value at definite date has no any sense to intended users, especially under quick changing of market conditions. Such position of IVSC makes the market of valuation services very narrow and almost useless to business public especially in lending sphere as well as in valuation according to IFRS (taking into account long term character of entity operation). A contradiction between comparatively long term of asset use and one moment photography of Market Value must be tackled in the new edition of IVS. One of possible ways to do this is to decompose Market Value into two: elements – one long term ‘basic value’ and another one – short term speculative element caused by market imperfection and disequilibrium market states. In other word valuer will define a Market Value at definite date as now he does and then divide it into two elements in accordance with definite rules and principles which are to be followed from basic economic consideration and formulated by IVSC.</p>
17	<p>View (a) is that IVS should not refer to valuations under IFRS at all because the IASB is in the process of producing its own fair value standard that will clearly set out the valuation criteria for all valuation measurements required under IFRS and if parallel valuation standards are produced in IVS these will have no relevance. Supporters of this view also argue that limited references to the accounting requirements under IFRS can be misleading and lead to misinterpretation.</p> <p>View (b) is that valuation measurements under IFRS are intended to reflect market reality and are not a special type of valuation reserved for financial statements. It is therefore important that the requirements under IFRS are properly related to wider valuation principles and</p>	<p>Both points of view are questionable and therefore not fruitful. More constructive way is joint position of IVS and IFRS Bodies as to the rules of fair value measurements on the basis of independent valuation for most types of assets which should be approved jointly and postulated in correspondent documents.</p>

	<p>practice through cross references in IVS. Supporters of this view also believe that limited references to IFRS are necessary to help those who are valuers rather than accounting experts understand the required criteria and assumptions so that appropriate valuations can be provided.</p> <p>Which of these views do you support?</p>	
18	<p>Do you have any other comments on the general structure of the Asset Standards</p>	<p>It is not a good idea to exclude Valuation of properties in Extractive Industries from the new edition of the standards. It is important class of assets which have rather large capital values and essential peculiarities from the valuation point of view.</p>
18	<p>Do you consider that a class of “personal property” can be identified that is not already covered by the proposed new asset standards? If so, do you consider that it has distinct characteristics that need to be considered in valuations that would benefit from a new IVS asset standard being developed?</p>	<p>It is no necessity to discuss personal property as distinct type of assets from the valuation point of view</p>
19	<p>Do you agree that a standard on valuing non financial liabilities is required and what topics should it cover?</p>	<p>A danger may occur during valuation of non financial liabilities for a valuer when he has to explore a great number of assumptions which can't be argued in appropriate manner.</p>
20	<p>Please identify any additional types of asset or liability that you believe should be considered for future inclusion in IVS, together with an indication of the benefits that you consider a new standard would bring.</p>	