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Datuk Abd Hamid Bin Abu Bakar

Pendaftar;  
R. Mahaletchumli



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Our Ref: IPPEHM/VPC/015/2004  
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**International Valuation Standards Council**

68 Lombard Street  
London EC3V 9LJPP  
United Kingdom

**Email: [contact@ivcs.org](mailto:contact@ivcs.org)**

Dear Sir

**DISCUSSION PAPER ON VALUATION OF LIABILITIES**

The Board is pleased to append below its comments and proposals on the Discussion Paper on Valuation of liabilities published by the International Valuation Standards Council (IVSC):-

I. **KEY DEFINITIONS AND CONCEPTS**

Question 1

**Board's Views**

Yes, we agree.

Question 2

**Board's Views**

Yes, we agree.

2. **PROJECT SCOPE**

Question 3

**Board's Views**

Yes, we agree.

Question 4

***Board's Views***

Yes, we agree.

Question 5

***Board's Views***

Yes, we do consider that contingent liabilities as described should be included. We do not know of other types of contingent liability that should be included.

Question 6

***Board's Views***

Yes, potential litigation liabilities should be valued and included in this project.

3. **BASES OF VALUE**

Question 7

***Board's Views***

Examples of liabilities are insurance liabilities and other contingent liabilities.

Question 8

***Board's Views***

Market value.

Question 9

***Board's Views***

Yes, we agree.

Question 10

***Board's Views***

No, we don't agree.

4. **VALUATION METHODS- GENERAL**

Question 11

**Board's Views**

Insurance and other contingent liabilities.

5. **MARKET APPROACH**

Question 12

**Board's Views**

Generally the types of liabilities encountered by our members are insurance or other contingent liabilities. The methods used are comparison and DCF for the purposes such as financing and company valuations.

Question 13

**Board's Views**

The source is usually from the contract itself or from the entity but crossed checked with broad comparisons.

Question 14

**Board's Views**

We generally look at **the** certainty of the cash flows and we select an appropriate discount rate.

Question 15

**Board's Views**

A risk free rate can be used when there is a high certainty in the cashflow. If we are using a cashflow without probability weighting then we will use an appropriate market derived discount rate.

Question 16

**Board's Views**

No we have not used or encountered option pricing in estimating the value of liabilities.

6. **CASH APPROACH**

Question 17

**Board's Views**

No comment.

Question 18

**Board's Views**

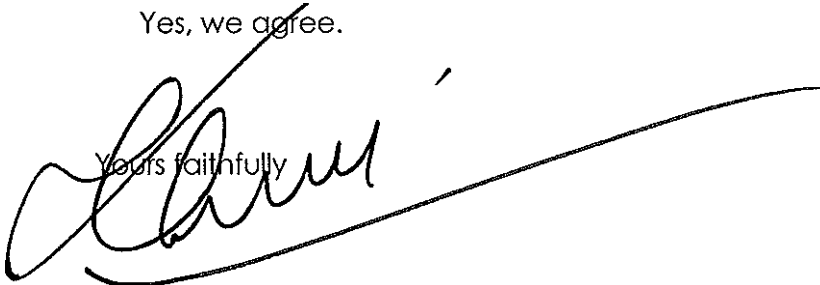
No comment.

Question 19

**Board's Views**

Yes, we agree.

Yours faithfully

A large, stylized handwritten signature in black ink, appearing to read 'R. Mahaleetchumi', is written over the 'Yours faithfully' text and extends across the page.

**R MAHALETCHUMI**

**Registrar**

**BOARD OF VALUERS, APPRAISERS &  
ESTATE AGENTS MALAYSIA**