

## Valuation Uncertainty

### Note for Respondents

Responses are particularly invited to the following questions. Not all questions need to be answered but please indicate the question to which any answer relates:

**1** Do you agree that it is only when material, or abnormal, uncertainty attaches to a valuation on a specific time or date that that specific disclosure is necessary when the valuation is reported? If not please explain why you consider that an uncertainty statement should be provided in all cases.

No.

All valuations have a degree of uncertainty and therefore should be explained.

Whilst the market place seeks a single point for a valuation, the reality is that such a figure sits within a range of values.

A degree of uncertainty also arises because of the inherent need to apply assumptions to market data – especially for non-homogenous assets.

**2** Do you believe that the Board has identified all major sources and types of material valuation uncertainty? If not please identify what additional causes of uncertainty exist and how often you encounter these in practice.

Yes.

**3** Do you agree with the Board's conclusion that an explanation of any abnormal uncertainty identified and an explanation of the impact this has on the valuation ( a qualitative statement) is more helpful to users in understanding the valuation than a purely numeric expression of the range of possible values created by the uncertainty (a quantitative statement)?

A range with some form of qualitative statement would be appropriate.

Whether it is abnormal or normal, comment should be provided, however, if level of uncertainty is abnormal, greater explanation required. It does, however, beg the question of what is "abnormal".

It should be noted that the provision of a quantitative expression through a market range is giving a more reflective market situation than a single point valuation.

**4** Do you think the IVSB should include an explicit requirement in the proposed IVS 105, Valuation Reporting, to disclose any material uncertainty or is the principle that requires valuation reports not to be ambiguous or misleading sufficient?

Yes.

All uncertainty should be discussed.

**5** Do you consider that there are cases where a qualitative statement of the causes and impact of uncertainty on the valuation is inadequate and should be either augmented or replaced by a quantitative statement? If so please

- a. state the circumstances and assets classes where you believe that quantitative statements are more helpful to users and,
- b. provide a brief explanation or example of the type of quantitative statement that you believe would be useful.

Yes.

- (a) Lack of market evidence or data relating to all asset classes.
- (b) Value range or confidence score.

**6** Do you consider that it would be helpful if IVSC developed guidance on methods for making a quantitative disclosure of uncertainty under specific circumstances? If so please indicate the circumstances and any methods that you either use or encounter in your market.

No.

However, could be addressed in other Standards.

As a general comment, the IVSC Response on IASB Exposure Draft 2010/7 Measurement uncertainty analysis disclosure for fair value measurements is fully supported by the Institute.