

Valuation Uncertainty

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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.

Response:

No. An uncertainty, or better yet “valuation certainty,” statement can be included in a valuation report or ultimately in the notes to the financial statements. I agree, however, that it is to be in qualitative form and, when necessary, supported by quantitative things. If a user of valuation sees the statement that the valuer has not come across nor anticipates “abnormal” or “material” uncertainty, such can be very assuring to such user of valuation.

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.

Response:

Inherent features of the property subject of the valuation.

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)?

Response:

Most certainly! As in my comment for Question 1, I agreed with the Board that quantitative statement can support the mandatory qualitative statement. Quantitative procedures and statements about them can be made in discussing the indicators of value wherein the valuer’s opinion of value is based.

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?

Response:

Yes, the “ambiguous or misleading” provisions are too general.

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,

Response:

No. The irony on quantitative statements is that they are best when they are not needed. Quantitative statements can best be derived when data are bountiful.

- b. provide a brief explanation or example of the type of quantitative statement that you believe would be useful.

Response:

“The results of statistical analyses and/or simulation undertaken or identified have not led to the conclusion nor anticipation by this valuer of any ‘abnormal’ or ‘material’ uncertainty as of the date of value.”

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.

Response:

Yes, when the subject of the valuation belongs to a type of assets that are homogeneous and are actively traded in a well-established market. Statistical analyses and simulation.