6 March 2013

International Valuation Standards Council
41 Moorgate
LONDON EC2R 6PP
United Kingdom

Dear Sirs,

IVSC EXPOSURE DRAFTS

- TECHNICAL INFORMATION PAPER ON VALUATION UNCERTAINTY
- TECHNICAL INFORMATION PAPER ON VALUATION OF FORESTS

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IVSC Exposure Drafts on Technical Information Paper on Valuation Uncertainty and the Technical Information Paper on Valuation of Forests respectively.

We appreciate the IVSC’s efforts to provide guidance on appropriate valuation procedures, approaches and methods for the valuation of forest assets and also in addressing valuation uncertainties.

As MASB is the body established under the law to promulgate accounting standards in Malaysia, we have responded to questions that may have implications for financial reporting.

Please see the Appendices for our detailed responses as follow:

- Appendix 1: Comments on Exposure Draft on Technical Information Paper on Valuation Uncertainty; and

If you need further clarification, please contact Ms Tan Bee Leng at +603-2240-9200 or via email at beeleng@masb.org.my.

Thank you.

Yours faithfully,

MOHAMMAD FAIZ AZMI
Chairman

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Appendix 1: Comments on Exposure Draft on Technical Information Paper on Valuation Uncertainty

QUESTION 6

The requirement in IVS 103 is to disclose any material uncertainty that affects the valuation. Paras 29-39 of the proposed TIP provide guidance on identifying when uncertainty is material, with reference to the requirement in IFRS 13 for valuations for financial reporting and more general guidance where valuations are for other purposes.

Do you find the guidance on materiality to be helpful? Are there any improvements or other considerations that you would suggest be included?

Comments:

IVS 103 Reporting, paragraph 2 requires the valuation report to set out a clear and accurate description of any material uncertainty that directly affects the valuation. Valuation uncertainty only needs to be disclosed when it is material and has a direct effect of the valuation.

Paragraph 31 further provides guidance for determining whether the impact of the uncertainty is significant. The paragraph states that "In considering whether the impact of the uncertainty is significant, regard should be had to the impact on the overall potential profits or risk of loss to which either the owner of the asset or a third party relying on the valuation is exposed as a result of the uncertainty and this cannot be expressed in absolute terms but will vary depending on the purpose of the valuation and the nature of the asset."

Whilst we agree that such impact cannot be expressed in absolute terms, it would nevertheless be helpful to valuation report users if the report makes mention of the bases or benchmark on which the material assessment is based upon. This would provide clarity as the understanding of the bases/benchmark used by valuers might be different from that of the users.

Paragraph 34 states that disclosures required by IFRS 13 section 93 only apply where Level 3 inputs are used. We would like to highlight that for financial reporting purposes, paragraph 93 of IFRS 13 sets out the minimum disclosure requirements for assets and liabilities measured at fair value and this disclosure requirement applies to all three hierarchy levels i.e. Level 1, 2 and 3. Hence we would like to suggest that Paragraph 34 of draft TIP be revised to take this into consideration.