18 March 2014

IVSC Professional Board
International Valuation Standards Council
1 King Street
LONDON EC2V 8AU

Dear Sirs,

Exposure Draft – Bases of Value

The January 2014 IVSC E-Newsletter included advice that the IVSC Professional Board had embarked on a project to develop illustrative examples around many of the principles and concepts in the IVS Framework. These are aimed at helping practitioners understand their application under different practical scenarios. The intention is to produce a series of “Chapters” dealing with different topics. An exposure draft of the first of these, Bases of Value, has been released for comment.

The document was issued seeking a response from interested parties by 31 March 2014.

The Australian Valuation Standards Board comments (red) in response to the questions are detailed below:

Question 1:  
Do you consider the differences among the IVS bases of value have been adequately illustrated? If not, what additional illustrations might be helpful?

Yes.

Question 2:  
Do you perceive any issues or unintended consequences arising from any of the illustrations? If you do, please explain what these are.

Yes. Fair value is interpreted in differing ways in the courts of various jurisdictions. For example, the definition of fair value in Australian Courts is loosely the value that would be fair between the parties, as opposed to the definition in the exposure draft. This sort of divergence of definitions should be highlighted in para 7. Where valuers prepare valuations under different definitions, they should state the definition used and indicate the rationale for not using the IVS definitions.

Question 3:  
Do you consider that there are any other differences between Market Value and IFRS 13 Fair Value that should be discussed and illustrated?

No.

Question 4:
Does the term “arm’s length” in the Market Value definition need explanation?

No.

Question 5:

Do you find the graphics in the document helpful in understanding the relationships between the bases of value and other pertinent concepts?

Yes.

Question 6:

Below are examples of other topics within the scope of the Illustrative Examples project which the Board is planning to cover in future chapters:

(iii) • Market Participants /• Market /• Proper Marketing
(ii) • Forced Sales
(iv) • Assumptions and Special Assumptions
(V) • Aggregation and Unit of Account
(i) • Highest and Best Use
(vi) • Transaction Costs
(vii) • Valuation Date

Please indicate the perceived priorities from this list and if there are any additional concepts or issues within the IVS Framework that you believe it would be helpful to address.

See above.

Yours faithfully,

A.L. McNamara
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