I deeply regret that I am late in submitting my views on **the Exposure Draft: TECHNICAL INFORMATION PAPER 1 The Discounted Cash Flow (DCF) Method – Real Property and Business Valuations**

I would like to comment that there should not be a distinction between the application of the Income Approach to Value (Discounted Cash Flow methodology) for real estate on the one hand and businesses on the other. Both must adhere to the same principles.

When the objective is the estimation of market value, all inputs must be market derived. If it is not market derived, you cannot call the end result market value. Admittedly, it may not be possible in very case to have all inputs market derived as that may be difficult depending on circumstances. In such cases, surrogates to market inputs should be allowed and there must be adequate disclosure that they are indeed surrogates.

Usually, current practices in the use of the Income Approach to Value (Discounted Cash Flow methodology) are based on the creation of models that are constructed from known market sales. These models are then re-calibrated to the market from time to time. Such calibrated or re-calibrated models can then be used with a greater degree of confidence even in circumstances where the asset or liability is specialised and where no recent sales of an identical asset or liability is available.

When the end objective is not a market value, then the inputs need not be strictly market inputs. For example, in the estimation of an investment value, as opposed to market value, entity specific inputs may be required and the discount rate in such circumstances is usually not a market derived discount rate and it may be from the use of CAPM or WACC.

I suggest that it must be made very clear that the discount rate for the estimation of market value or fair value for that matter should be a market derived discount rate.

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DATED : 23 MAY 2011