Exposure Draft - IVS 104: Bases of Value

Page 4 - Questions for respondents

(a) Generally we agree. We can see no reason to depart from a basis of value defined by the IVSC
(b) Yes, provided a 'specific purchaser' is the same as an identified purchaser as defined in Fair / Equitable Value
(c) Yes, provided the definition remains the same as Fair Value
(d) Yes, we support Liquidation Value as it brings back the concept of a forced transaction (which is good) and an orderly transaction (which is completely clear).
That said, if providing a valuation of moveable assets – such as machinery in a factory – the difference between the value of the moveable assets if they are to remain in their working place or not can be considerable. There should therefore be a proper definition for these 'in-situ' and 'ex-situ' scenarios. Please see the RICS Red Book page 94 VPGA 5, 6. – 6.1 'Material considerations' that requires an indication as to whether the assets will remain in their working place, or are valued for removal.
(e) Yes, Replacement Value is good, although it must be made clear whether the replacement is as new (as in Insurance Reinstatement as New), or on a like for like basis (as in Insurance Indemnity)
(f) No.

Page 8 – Market Value

(g) If providing a Market Value valuation of moveable assets – such as the machinery in a factory – the difference between the value of the moveable assets if they are to remain in their working place on the one hand, and their value for removal (please see (d) above) can be considerable. Again, it is important for a definition for the 'in-situ' and 'ex-situ' scenarios to be available

Page 11 – Investment Value / Worth

60.1 – Is this not the same concept as Equitable Value (perhaps just a set of assumptions thereunder)? Or is it a method of valuation rather than a basis of value?

60.2 – If it does not presume an exchange, then what does it presume?

Page 12 – Synergistic Value – We would question if this is a reasoning behind a valuation (or an assumption) rather than a basis of value per se.

Page 15 – para 170.1

(h) '…..with the seller being compelled to sell on an as-is, where is basis' seems to me to step over from an orderly transaction and in to a forced transaction, and we therefore question the need for this sentence.

Exposure Draft – IVS 105: Valuation Approaches and Methods

Page 5 - Questions for Respondents

We agree and have no further comments on these questions.

Page 8 – para 20.6

> We believe that this market multiples approach could be explained better, please. Define what is meant by multiples, give an example thereof.

Page 20 – para 70.1

(i) We believe that it needs to be made clear whether the Cost Approach adopts the cost of purchasing a like for like asset (in terms of age, condition etc), or (for whatever reason) a new asset. If the terms 'replacement cost' and 'reinstatement value' had the word 'new' in front of them, all would be clear, but generally (other than for insurance purposes) these terms assume a like for like reinstatement or replacement. Clarity required here, we suggest.

Page 21 – para 80.1

(j) Re (a): we think it would be clearer if the replacement costs method indicated value by calculating either the current cost of a similar new asset, or the cost of replacement with a like for like asset – perhaps calculated by way of depreciating the current new cost of the asset according to its age, condition and utility. We suggest that there should be some provision for using Depreciated Replacement Cost where appropriate.