INTERNATIONAL VALUATION STANDARDS COUNCIL

STANDARDS IMPROVEMENT PROJECT

Summary report of Round Table discussions

November 2010

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Scope and structure

The Exposure Draft omitted significant amounts of background information on the nature of valuation that appears in the current IVS 2007, along with two guidance notes that examined valuation methods in detail. However, some explanation of basic valuation concepts and principles has been retained and principal methods are identified but not explained in detail. The 'Asset Standards', (the 300 series), include information on the characteristics of different asset classes that are relevant to their valuation and variations on the principal methods that are currently used in the sector.

Some respondents have indicated that they consider this mix of authoritative statements and explanatory material to be confusing and/or otherwise inappropriate, and wish the standards to contain only material that is clearly authoritative. Others object to the inclusion of what they consider as 'educational' material in the standards.

In contrast, many respondents indicated that they find the explanatory material helpful in understanding the requirements of the standards and of assistance in applying them in context. However, many of these have suggested that a clearer distinction ought to be made between the standard and any associated explanatory or illustrative text.

A few respondents requested additional guidance on specific aspects to be included within the standards.

The Board is interested in hearing the views of participants on what they consider to be the appropriate scope and structure of the standards.

One participant argued that the standards were of such a high level and tried to reach into too many corners that they did not fulfil a useful function for practitioners. Another argued that they contain too much detail and should be addressing principles at an even higher level.

No one advocated that the standards should be stripped of all explanatory material. Many felt the commentaries in the draft to be helpful, especially as one of the objectives of IVS is to inform clients and users about the nature of valuation so as to build understanding and credibility. After discussion there was overwhelming support for the view that the standards should be written for providers and users of valuations, rather than just valuation professionals.

There was a strong view that there should be a clear distinction between the standards and the supporting material. There were also suggestions that much of the material in the 100 series should go into an introductory framework as it was not in the nature of a standard. Reference was made to USPAP, which has relatively short standards but extensive Advisory Opinions to give guidance on how the standards are to be applied.

Some indicated that they found the valuation definitions and explanatory notes in IVS to be helpful, especially in cross border work.

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One or two wanted a clearer explanation of how IVS fitted with other valuation standards (in this case USPAP and CUSPAP) to be included. It was explained that the standards do already provide for departures for jurisdictional variations and it is impractical for a set of global standards to reference and make reconciliation statements with multiple standards developed within different markets or domains. Reconciliation with any other standards has to be a matter for those wishing to adopt into a particular market.

The standards need to be at a high level in order to allow widest application across markets. There does need to be better clarity between the standards and guidance. Valuers and some users want more guidance but the meeting agreed that mandatory standards should be based on principles. A suggestion was made that IVS might follow the IFRS model of a standard followed by a basis of conclusions with reasoning and explanation for the standard.

The point was made that standards need explanation, and that this is especially helpful to those coming to standards for first time. The standards must be put into context. Some history of how a standard was developed might also be useful.

Auditors welcome guidance to help understand how the standards should be applied. It is very useful to have explanatory material alongside standards, but it should be clearly distinguished. Others pointed out that principles need to be illustrated with guidance. A number of participants made the point that standards cannot be too detailed, and considered the level in the exposure draft to be about right.

The question was asked for whom are the standards written. There was agreement that standards and explanatory material are directed at users as much as valuers as they are means of building understanding by investors and auditors and therefore confidence in the valuation process.

The question of the need for education on valuation issues in the emerging countries of the region was raised. Although IVSC is not in the education business, it may be able to act as catalyst in some cases, and the Technical Information Papers (TIPs) in production would also assist.

One professional institute present thought that the level of detail in the exposure draft was about right and that there was generally a logical flow, although more clarity was required between the parts intended to be mandatory and the commentary. They also liked the change in emphasis from the existing standards to address a wider audience. Another institute supported the reduction and simplification of standards as this made them more accessible. It was also confused as to what was a standard and what was supporting material.

Others called for more distinction between the mandatory and advisory material. As drafted it is not clear when a practitioner would have to signify departure from the standards.

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One participant expressed concern that by trying to be all things to all men, the standards were not sufficiently focussed. There was an absolute need for valuation standards and guidance to support valuations for financial reporting, but they were concerned about standards for other applications, as these could conflict with local legal requirements or accepted practice. In the ensuing discussion, the point was made that good valuation practice transcends financial reporting and is required for many other applications. The role of IVS is to provide an accepted and understood framework for valuations of different types that is capable of adoption and application as appropriate. The intention is not to impose a regime for every type of valuation advice, and IVSC is a standards creator, not an enforcer. Adoption and enforcement is for others.

There was further discussion on the intended audience. The point was made by one participant that there was a clear need for more practical guidance for valuers to reduce diversity of practice, and that the standards were too generalised to achieve this aim. The point was made that the TIPs were focussed on the practitioner and are intended to achieve the objectives identified. The standards were in addition to, not a replacement for, practice guidance.

One user present said that they appreciated the IFRS model which required disclosures intended to explain some of the background to the numbers in the financial statements to non accountants, and recommended that IVS should have similar objectives. Another with standard setting experience in a national context explained that initially their accounting standards were seen as being technical documents written by accountants for accountants, but as time has progressed there was a much greater emphasis on the needs of all stakeholders, and the objective was now to produce standards that are understood by non specialists.

Another made the point that while most clients may have little interest in the standards themselves, they did need consistency and a robust set of principles should not only provide consistency of provision but provide transparency so that consistency could be seen to have been achieved. Short principles are more likely to be read and understood by non specialists.

There was general consensus that one of the primary objectives of the standards should be to promote users' confidence in valuations by increasing their understanding of what it is they are receiving and of what the components of a good valuation should be.

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Relationship with accounting standards

One of the prime drivers for the original development of the International Valuation Standards was the perceived need for consistency in the valuation of fixed assets in the then International Accounting Standards.

IVA 1 Valuations for Financial Reporting in the current IVS 2007 explains the valuation requirements in IAS 16, IAS 36 and IAS 40. In the Exposure Draft, the IVS 201 series is the equivalent of IVA 1, which has been updated and expanded to cover the latest developments in IFRS.

Many respondents expressed the view that it was inappropriate for IVS to continue promoting a separate standard for valuations under IFRS because IVS cannot modify or apply within another set of standards. It was also argued that the approach in the Exposure Draft could create a conflict, for example if a change in IFRS was not matched by a simultaneous change in IVS.

However, many respondents did find the summary of the IFRS valuation requirements to be helpful. A number also agreed with 'View (b)' in question 17 , ie that valuation measurements under IFRS are supposed to reflect wider valuation principles and practice. A few commentators called for IVSC and IASB to cooperate and produce 'bridging standards'.

Some respondents asked that various words or phrases used in the new IVS be amended to bring them into line with similar words and phrases in IFRS. In contrast, others criticised the draft for focussing too strongly on valuations for use in financial statements and using terms appearing in IFRS, pointing out that many more valuations are produced for purposes other than financial statements and that the valuation terms used in the accounting literature was not always appropriate or even understood in other fields.

Finally some respondents called for generic guidance on valuations for financial reporting as valuations are required under accounting standards other than IFRS.

The Board is interested in participants' views on the extent and status of the material that should appear in IVS in relation to valuations for financial reporting, and on the relationship they would like to see between IVS and IFRS.

Most said that they found the level of commentary on IFRS valuation requirements to be helpful, but that this was in the nature of guidance, not a standard. There was a majority view that the Board needs to look carefully at what is the valuation standard rather than the accounting standard requirement. The valuation standard could be quite brief.

There was discussion as to whether Valuations for Financial Reporting (VFR) were sufficiently different from other valuation purposes to warrant a standard. It was generally agreed that there were distinct disclosure and presentation requirements but less agreement on whether these should flow solely from the accounting standard or whether a specific valuation standard was also required.

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The question was put whether the Board should attempt to make the revision 'accounting standard neutral' ie address the topics generically rather than refer specifically to IFRS, given that US GAAP will still be around for a few more years at least, and that there are many other 'national GAAPs' in use outside the publicly listed sector. There was not much support for this, with some strong advocates for focussing on IFRS as this would have the widest global relevance. However, a number argued that direct references and quotations from IFRS should be avoided.

There was also a request for IVSC to set minimum standards of investigation for VFR on the grounds that this was needed for investor protection. The example given was of where property valuations were reported where the valuer had not inspected all properties. IVSC's current position is that it could not impose a particular service level if it was not mandated in the relevant accounting standard. The principle proposed in IVS 104 is that those investigations that are necessary to properly support the valuation should be undertaken and that this should have regard to the purpose of the valuation.

The point was made that it is the entity, not the valuer that is responsible for the content of financial statements. It is the role of the auditor to determine whether adequate investigation has been undertaken in support of any valuation in a financial statement. IVSC is in discussion with the IAASB about joint guidance on what auditors and valuers should expect from each other, and guidance on what might be deemed adequate in different situations might be a matter for that project. What is deemed to be an adequate level of investigation has to be determined on a case by case basis, and it is difficult to see how IVS could prescribe the level of detail that was appropriate in a global context for all asset classes.

It is difficult to wrap a valuation standard around IFRS. Problems will be created for IVS when IFRS changes. IFRS has some very prescriptive application instructions for valuation, eg for share based payments that are at odds with normal valuation practice.

Valuers need to be aware of the context of valuations, including those for financial reporting, so high level guidance on VFR should be included in IVS. However, the valuation standard should simply be that valuers shall follow the definition and any specific directions in the appropriate accounting standard.

The general consensus was that the 201 series in the ED is mostly application guidance which is useful but should not be called standards. A suggestion was made that there needs to be a third tier between the Standards and the proposed Technical Information Papers (TIPs) that will give 'how to value' guidance. This would give additional information on the context in which the principles are to be applied and background on the purpose of the valuation.

One participant considered that the point needs to be made that valuations for financial reporting use different assumptions from those used for tax.

There was discussion on whether the standard and associated guidance should be focused entirely on IFRS or be more generic in recognition that there are still many other accounting standards in use globally. Although general consensus that prime focus should be IFRS, using IFRS only as an example for concepts such as impairment, depreciation and leases would be consistent with other objective of not citing IFRS directly.

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There was general consensus that it is important to have application guidance on VFR. However, there was less clarity as to what status that should have within IVS.

One participant suggested that the optimal relationship would be for IFRS to say when valuation should be used and for IVS to provide the how to value guidance. Others made the point that there was a need for much more guidance on VFR and the relatively short synopsis of some of the main accounting requirements was insufficient.

There was considerable discussion about the 'interface' between IFRS and IVS. Some were concerned at the suggestion that there was a gap between IFRS and IVS, others that IVS tried to tie itself too closely to IFRS. A number considered that making direct cross references to IFRS rather than providing a generic discussion would give rise to a maintenance issue and could also create interpretation problems. However, a strong recommendation was made that unless specific references were provided to the relevant requirements in IFRS, the IVS guidance would lack transparency and relevance, and the maintenance issue would just have to be dealt with. This view received support from a couple of other participants.

It was pointed out by one participant that if the intention was to provide education on the valuation requirements under IFRS, this was something that should be specifically addressed to valuation specialists rather than to the wider valuation constituency that was the focus of the standards.

There was general support for the view that valuations for financial reporting should reflect valuation practice generally. Although IFRS imposed certain assumptions on valuations, eg with regard to the unit of account or own credit risk, these were to meet accounting objectives and did not alter the fundamental economic valuation principle. Two participants confirmed that the valuations undertaken for risk management within financial institutions were those used for financial reporting subject only to adjustment to meet the accounting objectives in IAS 39.

There appeared to be general agreement that IVS should not impose a standard that could modify or change the interpretation of IFRS, but also that it was important that IVS deal with the topic. There was less consensus as to the form or status of IVS pronouncements on the subject, the extent to which IFRS should be directly referenced or whether the material should be sufficiently generic to enable it to be applied under different accounting standards.

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Valuation approaches and hierarchy

The Exposure Draft explained that all methods of valuation could be categorised under three principal valuation approaches: Direct Market Comparison, Income Approach and Cost Approach. Under the income approach income capitalisation and discounted cash flow were identified as two common methods in use, but otherwise no other methods were identified in the General Standards. In the Asset Standards some methods commonly used in the relevant sector were identified, eg Relief from Royalty for Intangible Assets and Portfolio Replication for Financial Instruments.

Most respondents agreed that all methods could be categorised into the three main approaches. However, in spite of the ambiguity involving the terms 'Market Approach' or 'Sales Comparison Approach' that the Board had sought to clarify by adopting the term 'Direct Market Comparison', there was a significant majority that favoured the term 'Market Approach' and the Board has tentatively decided to revert to this term.

Although most agreed with the three approaches identified, there was considerable diversity of opinion on the extent to which approaches and methods should be discussed in the Standards. A few argued that this material had no place in the standards and should be omitted entirely. Others identified particular methods specific to their area of practice that they wished to see included, and others wanted more methods listed. Some considered the brief explanations given of the income capitalisation and discounted cash flow methods to be inaccurate due to over simplification.

The Exposure Draft also proposed a hierarchy of approaches, indicating that the Direct Market Comparison / Market Approach was generally preferred when directly observable prices for identical or similar assets were available. The significant majority of respondents considered that the standards should not include a hierarchy on the grounds that the choice of approach should be left to the valuer. However, some called for more guidance on how methods and approaches should be selected.

The IVSC Professional Board is currently developing Technical Information Papers (TIPs) on the Cost Approach and Discounted Cash Flow, and other TIPs providing non authoritative guidance on valuation methods are planned.

Participants' views are sought on whether identification of the main valuation approaches and/or methods is helpful or necessary for the better understanding of the standards. If they consider that it is, the Board is interested in the degree of detail that should be included in the standards as compared to a TIP.

There was very strong feeling that IVS should not create or even suggest a hierarchy of approaches. Many examples were given of the difficulties this could cause, especially in litigation cases. There was some debate as to whether IVS should say that all three approaches should be considered, although others felt it best just to stay silent. There was also no support for IVS to embrace the input hierarchy in the FASB's Topic 820 or the emerging IFRS FVM standard. The point was made that IVS only has relevance in Levels 2 and 3 anyway, as no one needs a valuation if there is Level 1 information available.

There was general agreement on approaches and that all could be used to determine market value.

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There was no support for the hierarchy. Most felt that it was not needed as it fettered proper use of judgement and could cause difficulties in emerging markets. It could also be a hostage to fortune in litigation.

There was a query on the three main approaches identified. The profits method is widely used in property valuation for tax and other purposes but it is not clear if this is regarded as part of the Income Approach. The meeting consensus was that it was. However, it might be helpful to include this in commentary.

The meeting was advised of Board's tentative conclusion to revert to Market Approach rather than 'Direct Market Comparison'. One participant was not sure that dropping 'comparison' was a good idea. However, others made the point that the two other approaches used comparison so that it would be inconsistent to single out market approach. There was a request that this point should be made clear in commentary.

There was discussion on the residual approach for development sites. Agreed that this was another subset of the income approach because it involved predicting gross income and the expenditure required to achieve it.

It was generally agreed that it is important to say what approach or approaches have been used and the criteria for adopting them. A Valuer has the right to use judgement but a duty to explain how it is exercised.

The broad discussion on the three approaches was considered useful but the proposed hierarchy was too restrictive. There was strong opposition from others to the proposed hierarchy, generally on the grounds that it was too prescriptive and fettered valuers' judgement. It was pointed out that it could conflict with practice in particular markets, or in some jurisdictions that required multiple approaches to be considered or undertaken.

One participant considered that there was a potential ethical issue. A hierarchy of applications could be used to manipulate the result of a valuation; the focus of the standards should always be on the result, not the means of getting there.

There was discussion over the need to emphasise that market inputs were not the exclusive preserve of the market approach and should be used to the maximum extent possible in the income and cost approaches were the desired result is market value.

There was discussion on whether IVS could useful adopt or follow the input hierarchy in ASU 820 (formerly FAS 157) and the emerging IFRS standard. There was little support. The hierarchy has relevance in financial reporting as it is used as a device for requiring additional disclosures in the statements. Valuations to which IVS apply are going to be nearly always within levels 2 or 3 of the hierarchy and IVS requires specific disclosures when reporting valuations that are relevant to the valuation assignment. It was agreed that the accounting hierarchy would have little relevance or application within the valuation process.

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Special value

This is defined in the Exposure Draft as an amount that reflects particular attributes of an asset that are only of value to a special purchaser. A special purchaser is defined as a particular buyer, or restricted class of buyers, for whom an asset has special value because of advantages arising from its ownership that would not be available to general purchasers in the market. This latter definition differs from that appearing in the current IVS through the inclusion of a restricted class of buyers.

A number of respondents opposed this change on the grounds that if special purchasers could include multiple purchasers then there was ambiguity as to when this group became the primary market for the asset and therefore the price that they would be prepared to pay would be the market value, not a special value.

The Board believes that it is impractical to define a number of buyers that would constitute a market rather than a restricted group within a market as this will depend on the facts of each case. However, the change was proposed because the Board considered examples where there was demonstrably more than one buyer with the motivation to pay a price above that of the general market. One such example was where charities have tax concessions that allow them to outbid commercial operators for an asset. The concessions apply to all charities, not just a specific charity, but in circumstances where the vast majority of market participants were commercial operators more than one charity could be classed as a special purchaser.

The Board is interested in learning the views of participants on whether the inclusion of a restricted class of buyers in the proposed new definition provides a useful clarification or whether it creates greater ambiguity than the current definition that is limited to a particular buyer.

There were mixed views. Although it appears that the term is not widely used in the US, there was enthusiastic support from a few of practitioners who found the definition and commentary in the ED to be very useful. However, others were concerned about the change made in the ED to exclude the bids of a restricted class. They pointed out that within a restricted class each individual buyer could also have different circumstances. It could also conflict with the requirement in the market value commentary that the willing buyer is motivated to sell for the best price obtainable, or in other words at a price reflecting the highest and best use. The example given was of a holder of a large block of shares in a listed company. The best price would be obtained by selling to an investment fund or trade buyer, not by selling the block in the retail market as this could cause the price per share to drop.

All agreed that the willing seller would seek the most advantageous class of buyer, but our new definition could lead to this being contrary to market value if that class could be termed restricted. The point was argued that if IVS reverted to precluding only the bid of a special purchaser that did not mean that there could be only one such purchaser in any transaction. Therefore the words added were unnecessary and confused rather than clarified.

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The point was also made that the commentary on market participants in the draft IVS 101 referred to views attributable to 'the majority' of buyers and sellers, which could create a similar opportunity for arguing that the views a minority of buyers were not to be taken into account, which could produce a perverse conclusion.

There was opposition to the proposed change. More than one buyer can constitute a market. An example was given of railway company for which there were only a handful of buyers; was it right that the price obtained on an open sale was not market value because this were a restricted group of bidders and therefore they were special purchasers?

There was a strong view that introducing the reference to a restricted class of buyer caused confusion. The previous definition was fine because it was not expressly limited to one buyer per transaction. It could be applied to ANY buyer who met the description, regardless of the reasons for them having a special reason to pay more than others.

There was general agreement that special value arose and therefore should be disregarded when it was clear that a particular buyer had a unique motivation to pay more than the market. Reference to a restricted class compromised the clarity and could be used as an excuse to disregard bids that were not 'special' in assessing market value.

The question was posed as to whether it necessary to define both investment value and special value? Both were entity specific. It was explained that investment value for the seller could be the sum of market and special value, with special value being the incremental amount. Additionally, the investment value to the buyer would often exceed the sum of the market value and special value. The additional value created through combing two assets or holdings will often be shared between buyer and seller.

A request was made for some examples to illustrate the principle of special value to prevent people ignoring valid evidence of market value by wrongly assuming it to be representative of 'special value'.

There was general opposition to the proposed change to the definition of a special purchaser. A number of examples were given where two or three bidders could properly be considered a market. It was agreed that simply because there was only one bidder at a level higher than anyone else that did not make them a special purchaser. There needed to be a unique reason why that buyer would pay more than the rest of the market.

There was some discussion over the meaning of special value. One suggestion was that it was simply investment value (owner value) to the identified special purchaser. However, the general view was that while the investment value to the special purchaser would include the special value, additional value may be created once the transaction completed. From the perspective of a seller of the asset, the special value was the identifiable increment over and above the market level. Others considered that the repeatability of special value was key to its identification and the reason why it should be excluded from market value.

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It was reported that some in continental Europe dislike the term 'special value' and prefer 'contingent' or 'circumstantial value'.

One participant felt that there was a potential conflict with the concept of the most advantageous market and the disregard of special value

The point was made that there could be a need to consider and perhaps reconcile the concept of a 'Special Purchaser' with the 'Strategic Buyer' in the illustrative examples given in the emerging IASB FVM draft (see Example 1 of Staff Draft issued Aug 10).

It was suggested that IVSC might usefully consider further guidance in this area.

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Fair value

Fair Value and Market Value are terms that have historically had many different definitions and interpretations. A definition and conceptual framework for market value was settled by IVSC in the early 1990s and has become widely used and well established. IVS has also recognised that there are many valuation assignments that require a different objective from market value, one being a price that is fair between two specific parties, which may be different from the market value as it takes into account the circumstances of the actual parties. As fair value is the most descriptive term for this objective it has been the one adopted in IVS. In IVS there is, therefore, a clear distinction between market value and fair value.

In the IFRS fair value is often, but not consistently, equated with market value, eg in IAS 16 it is expressly stated that the fair value of items of plant and equipment is usually their market value.

Elsewhere in IAS 16 it is stated that the fair value of property is usually determined from market based evidence; in IAS 40 fair value is described as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, and further that it shall reflect market conditions at the end of the reporting period.

IVA 1 in the current IVS states that IVSC considers that fair value in IAS 16 and IAS 40 is met by the valuer adopting market value as defined in IVS.

The current IASB Fair Value Measurement project makes it even clearer that fair value under IFRS is intended to be a market based measurement that excludes any consideration of fairness to either party. Although different terms are used in the IASB literature all the essential elements of market value as defined in IVS are present. In the Exposure Draft (IVS 201.01 para 5) it is stated that for most practical purposes market value under IVS will meet the fair value measurement requirement under IFRS.

While it is regrettable that the valuation and accounting professions have developed alternative words to describe the same concept, fair value in IFRS (and some other accounting standards) and market value in IVS are both long established and there is little realistic prospect of either IVSC or IASB adopting the other body's terminology. The approach taken by the Board in the ED is to accept the use of the different term in IFRS and reconcile this to market value in IVS by indicating that correct application of either should produce the same result.

A number of respondents indicated that they considered IFRS fair value and IVS Market Value not to be synonymous, although the grounds for this seemed to be solely due to different words and terms being used to describe the concept as no valid material differences were identified by any respondent. Some inferred from the phrase 'for most practical purposes' in the ED that there were cases where market value and IFRS fair value were not synonymous and called for these to be explained.

Many more respondents found the different meanings of the term fair value in IVS and IFRS to be confusing and requested that IVS use an alternative name for a value representing a price that is fair between two parties in IVS.

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The Board is interested in participants' views on:

- Whether they believe there is a material difference in the outcome of a valuation undertaken under the proposed IFRS Fair Value Measurement standard and one undertaken using market value under IVS and, if so, why?
- Although the current IVS and the Exposure Draft make it clear that fair value under IFRS is not the same as fair value for other purposes, whether the use of the same label to describe different valuation bases is liable to cause significant confusion in practice?
- Do they have a suggestion for an alternative term for 'non IFRS' fair value as described in the exposure draft that they believe could obtain global acceptance among valuation professionals and users?

There was frustration expressed that the accounting standard setters had taken the term fair value and redefined it. However, the FASB definition has been adopted by IASB and there is no prospect of revisiting this, even though it is clear that the accounting standard setters want a market value.

The suggestion was made that IVS could keep both definitions but help emphasise the distinct usage by labelling one 'fair value' and the other 'fair value (IFRS)', although since the latter is only used in the standard concerned with IFRS that may be superfluous. There was no appetite at all for inventing another term for traditional fair value.

The meeting was divided between keeping the status quo or dropping the reference to traditional fair value altogether; proponents of the latter view consider that there is really little difference between investment value or special value and traditional fair value as the price that was fair between two parties would reflect the investment value or special value to each of them. It was entity specific to each. Some others argued that since its use in practice often stemmed from a legal contract, there was no need for IVS to come up with an 'off the shelf' definition, valuers would use whatever the appropriate definition was.

One participant disagreed with the Board's position in the ED that FV under IFRS should produce the same result as MV under IVS. One reason given was that under ASU Topic 820, blockage factors have to be ignored, even although the market would not ignore them. It was noted that the blockage exclusion in Topic 820 does not appear in the IFRS FVM draft. Others argued that the blockage exclusion did not alter the fair value definition; it is a specific and limited exception to using fair value under the standard. Another argument was that accounting fair value required defensive value to be calculated (ie where an asset is acquired with the intention of 'retiring' it so that it is not available to a competitor.) It was suggested by one participant that since the owner had no intention of selling, there could be no market value. It was pointed out by others that this argument disregards that fact that market value requires the assumption of a willing seller regardless of the actual owner's intentions and therefore this was not a valid difference between the concepts.

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What is described as non IFRS fair value in IVS is known in some parts as 'equitable value' and is a well established principle for settling compensation between parties or in share transactions involving passing of control. The equitable price can clearly differ from the market price. There was no argument with the principle in IVS but fact is that since IASB have taken the fair value term it is now confusing for IVS to promote the same words to mean a different concept.

It was questioned whether there is a need to define a basis for this 'equitable fair value'. In many cases the equitable value stems from the terms of an actual or implied contract between the parties and therefore that would take precedent over any IVS defined term anyway. Most seemed to support the view that no harm would be done by taking it out.

There was no appetite for inventing another term for equitable fair value, still less for including anything on 'fair market value' which is also subject to different interpretations under different jurisdictions.

All agreed with the position taken by the Board that IVS market value is the same as IFRS Fair Value. Some pointed out that the application of FV in some IFRS gives rise to a result that can differ from the MV, eg for Share Based Payments, and for certain liabilities which have to be ascribed a fair value that would not be observable in the market. However, these are accounting requirements that dictate how FV is applied in that specific case; they do not alter the fundamental definition of FV. If MV was used in IFRS instead of IFRS fair value the same modifying assumptions could be applied to achieve the desired accounting objectives.

The majority view was that although having two types of 'fair value' was not ideal, 'we are where we are' and that it is something we have to live with. One made the point that the confusion was mainly with users, as practitioners understood and lived with it. There was no appetite for introducing another term for 'traditional' or 'equitable' fair value. The business valuers present indicated that traditional fair value was a concept well embedded in UK share agreements. A suggestion was made that the distinction might be emphasised by referring to 'IFRS Fair Value' when referring to accounting fair value.

The meeting was asked whether one solution would be to simply remove traditional fair value as a recognised or supported IVS definition but there was no significant support for this. One participant considered that if IVSC is to be seen as the global champion of valuation then it should not shy away from promoting valid valuation concepts simply because there was confusion of terminology. Its role was to properly make the distinction and explain it.

The discussion moved on to whether people considered there was a material difference between IVS market value and IFRS fair value. Two or three felt a distinction could be made because IFRS fair value was a defined accounting objective that could be reached by applying market value.

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Others considered that although IFRS fair value may have market value as a core concept, this was modified in some cases by directions on the unit of account or other assumptions. However no specific examples of how IVS market value applied using the same assumptions would produce a different result were given. The tendency in the IASB material to include assumptions required to meet the accounting objective alongside the discussion of the valuation principles appears to lead some to think of IFRS fair value as something distinct.

One participant queried whether the statement in the Topics paper that IFRS fair value excludes any consideration of fairness to either party was correct. They pointed out that it excludes forced or distressed sales, which suggests that the transaction is supposed to be 'fair'. It was explained that the statement was intended to convey that the market participants had to take the market price as they found it on the valuation date, regardless of whether they considered it a fair price for them to pay or accept.

It was reported that in some European states there was an understanding that market value excluded highest and best use whereas IFRS fair value included it. It was noted that this is due to a statutory definition of market value that differs from IVS market value.

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New York Round Table Participants

Organisation	Name	
American Appraisal Associates	Gerry Mehm	*participant*
Appraisal Foundation	Barry Shea	*participant*
Appraisal Institute	Paula Konikoff	*participant*
Appraisal Institute of Canada	Brian Varner	*participant*
American Society of Appraisers (ASA)	Bill Quackenbush	*participant*
CB Richard Ellis	Michael Pecorino	*participant*
Canadian Institute of Chartered Business Valuators (CICBV)	Eleanor Joy	*participant*
Cushman & Wakefield	Don Dorchester	*participant*
Deloitte	Kevin Moss	*participant*
Duff & Phelps	Marianna Todorova	*participant*
Houlihan Lokey	Cindy Ma	*participant*
Integra Realty Resources	Anthony Graziano	*participant*
Marshall & Stevens	Alfred M King	*participant*
Real Property Association of Canada	Nancy Anderson	*participant*
RICS Americas	Bruce Bingham	*participant*
The Altus Group	David Jenkins	*participant*
American Institute of Certified Public Accountants (AICPA)	Eddy Parker	*observer*
AICPA	Jeanette Koger	*observer*
ASA	Tim Griffith	*observer*
CICBV	Bob Boulton	*observer*
Duff & Phelps	David Larsen	*observer*
Financial Accounting Standards Board	Ben Couch	*observer*
International Accounting Standards Board	Hilary Eastman	*observer*
IVSC	Steve Sherman	
IVSC	Marianne Tissier	
IVSC	Chris Thorne	

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Hong Kong Round Table Participants

Organisation	Name	
American Appraisal China Limited	Patrick Wu	*participant*
Asian Public Real Estate Association	Peter Mitchell	*participant*
CB Richard Ellis	Thomas Tang	*participant*
China Valuer International Co Ltd	Chengjun Wang	*participant*
Colliers	David Faulkner	*participant*
Ernst & Young	John Gibson	*participant*
HK Institute of Certified Public Accountants	Yin-Toa Lee	*participant*
Hong Kong Institute of Surveyors	KK Chiu	*participant*
Hong Kong Exchanges and Clearing Ltd	Olivia Cheung	*participant*
Japan Valuers Co	Hiro Isobe	*participant*
Jones Lang LaSalle Ltd	CK Lau	*participant*
LCH Group	Joseph Ho	*participant*
KPMG	Janet Cheung	*participant*
PricewaterhouseCoopers	Spencer Tse Shu Kei	*participant*
Thai Valuers Association	Pairat Monthapan	*participant*
Cushman & Wakefield	Russell Austin	*observer*
HK Institute of Certified Public Accountants	Steve Ong,	*observer*
Thai Valuers Association	Nukul Norakim	*observer*
IVSC	Simon Landy	
IVSC	Nova Chan	
IVSC	Chris Thorne	

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London Round Table Participants

Organisation	Name	
Accounting Standards Board	Andrew Lennard	*participant*
American Appraisal	MikeWeaver	*participant*
Association of Property Bankers	Nick Watson	*participant*
BaFin (German Federal Financial Supervisory Authority)	Christoph Schlecht	*participant*
BDO	Andrew Caldwell	*participant*
BNP Paribas Real Estate	Mark Gerold	*participant*
Chartered Institute of Public Finance and Accountancy (CIPFA)	David Watkins	*participant*
Deloitte	Andrew Robinson	*participant*
Deutsche Bank	Peter Sharpe	*participant*
European Public Real Estate Association	Gareth Lewis	*participant*
European Banking Federation	Tanguy Dehapiot	*participant*
Financial Services Authority	Rob Konowalchuk	*participant*
Grant Thornton	Mike Thornton	*participant*
King Sturge	Jonathan Manley	*participant*
Knight Frank	Rupert Johnson	*participant*
KPMG	Jim Calvert	*participant*
PricewaterhouseCoopers	Peter Clokey	*participant*
RICS	David Park	*participant*
TEGoVA	Roger Messenger	*participant*
Accounting Standards Board	Jennifer Guest	*observer*
CIPFA	Steve Cain	*observer*
Ernst & Young	John Gibson	*observer*
IASB	Kim Sunhee	*observer*
KPMG	Jenni Adamstein	*observer*
RICS	David Rusholme	*observer*
Ernst & Young	Ronan Stack	*observer*
IVSC	Frank Bollmann	
IVSC	Jim Eales	
IVSC	Chris Thorne	

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