



NEWS RELEASE

FOR IMMEDIATE RELEASE (4 February 2004)

‘NEW VALUATION BASIS PROPOSED IN RESPONSE TO REVISED INTERNATIONAL ACCOUNTING STANDARDS’

A Position Statement issued by the International Valuation Standards Committee (IVSC) proposes the introduction of a new valuation basis ‘Continuing Use Value’. This is in response to the revised International Accounting Standard, IAS 16, *Property, Plant and Equipment* published by the International Accounting Standards Board in December 2003. The IVSC Position Statement entitled ‘Valuation of Assets for Financial Statements’ is available on the IVSC web site – www.ivsc.org

Previously IAS 16 stated that the “*fair value of land and buildings is usually market value*”. Although no explicit reference was made in the accounting standard to IVS, most valuers agreed that the IVS definition of MV was to be used for valuing all property assets. However, this has now been amended to “*the fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers*”. The Accounting Standard has thus moved away from specifying a single basis to describing the process necessary to establish fair value.

John Edge, IVSC chairman, said, “Prior to 1998, ‘fair value’ under IAS 16 was ‘market value for existing use’. That changed to ‘market value’ in 1998. However, the application of fair value to owner occupied property now appears to have been widened. The IVSC has been calling for some years for clarity of the accounting concept required by IASB for the recognition of owner occupied property in the Accounts. The current move appears to allow a broader application of fair value. The IVSC considers that there is now scope for two valuation bases to operate – a figure for a property which is surplus to requirements, in other words an exit value which is market value; and secondly an ‘in use’ value where the property is to be retained in the business. Both are market-derived, should be undertaken by qualified valuers, and need to be supported by robust valuation standards.

Edge continued, "Representatives from the Australian, Malaysian, New Zealand, UK and US IVSC member institutes met in the UK in December to agree valuation guidance to meet the changing requirements of the International Accounting Standards. The IVSC Management Board has agreed that the conclusions of this working group should be issued as a Position Paper to gauge reaction from both preparers and users of valuation reports prior to the Board reaching its final decision.'

END

NOTE TO EDITORS

1. The IVSC is an unincorporated association comprising professional valuation associations from some 50 countries. It has published International Valuation Standards (IVS) since 1985. For further details on the IVSC or to obtain a copy of the 2003 edition of International Valuation Standards, please contact the IVSC Executive Director or visit the IVSC web site – www.ivsc.org

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