



NEWS ALERT

15 November 2004

The IVSC has today released 'preliminary final drafts' of

**International Valuation Application 1, Valuation for Financial Reporting;
and**

**International Valuation Guidance Note 8, The Cost Approach for
Financial Reporting - (DRC)**

Ahead of 1 January 2005, when many companies, including listed companies throughout the European Union, have to produce their financial statements in accordance with International Financial Reporting Standards (IFRSs), the IVSC has updated its own parallel standards for the valuation of fixed assets.

IVSC Chairman John Edge explains, "It is less than twelve months since we learned that the International Accounting Standards Board (IASB) had made a number of significant changes to the accounting standards concerned with real estate and other fixed assets as part of its own improvements project ahead of 2005. We have therefore had a very busy few months making the necessary revisions to International Valuation Standards in consultation with valuation institutes, regulators, accountants and valuation users around the world."

The two standards most affected by the revised International Financial Reporting Standards are International Valuation Application 1, *Valuation for Financial Reporting*, and International Valuation Guidance Note 8, *The Cost Approach for Financial Reporting - (DRC)*. To allow maximum preparation time, the IVSC has made available the two documents as 'preliminary final drafts' on its web page – www.ivsc.org 'Preliminary final' means that there may be some final changes made in the process of preparing the printed versions. If any such changes are made, a revised version will be published on the web site. The printed version of the new edition of the International Valuation Standards will be available for purchase during January 2005.

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Although the revisions by the International Accounting Standards Board to International Accounting Standards 16, 17 and 40 have removed some of the anomalies that previously existed, there remains a lack of clarity as to the underlying assumptions that should be made when making fair value assessments of fixed assets for different purposes. This is recognised by accountants, and both IASB and Financial Accounting Standards Board (FASB) in the USA currently have parallel projects on fair value measurement. Says Edge, "IVSC welcomes these initiatives and is keen to assist the accounting standard boards in both identifying the practical issues that can influence fair value in a particular context and then to clarify what assumptions should be made to achieve the required accounting objectives." The outcome of these projects is likely to mean further revisions to IFRSs and IVS in the future.

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- (1) For further details, please contact:
Marianne Tissier - Executive Director, IVSC Tel: +44 (0)1442 879306;
Email: mtissier@ivsc.org
- (2) Printed copies of the seventh edition International Valuation Standards (2005) will be available during late January/early February 2005. An ordering facility for the new edition will shortly be available via the IVSC web site