

# International Valuation Standards Committee

MEETING THE CHALLENGE TO  
DEVELOP GLOBAL VALUATION  
STANDARDS

## *International Valuation Standards Committee – a brief history*

- In 1981 The International Assets Valuation Standards Committee (TIAVSC) was formed
- In the early 1990's the committee was renamed as the International Valuation Standards Committee (IVSC)
- IVSC members are national professional valuation institutes; 54 countries represented by 60 institutes
- Historically real estate but growing interest from business valuers and other disciplines

# *International Valuation Standards Committee – objectives*

## *Historically...*

- To formulate and publish, in the public interest, valuation Standards for property valuation and to promote worldwide acceptance; and
- To harmonise Standards among the world's States and to identify and make disclosure of differences in statements and/or applications of Standards as they occur

## *Going forward...*

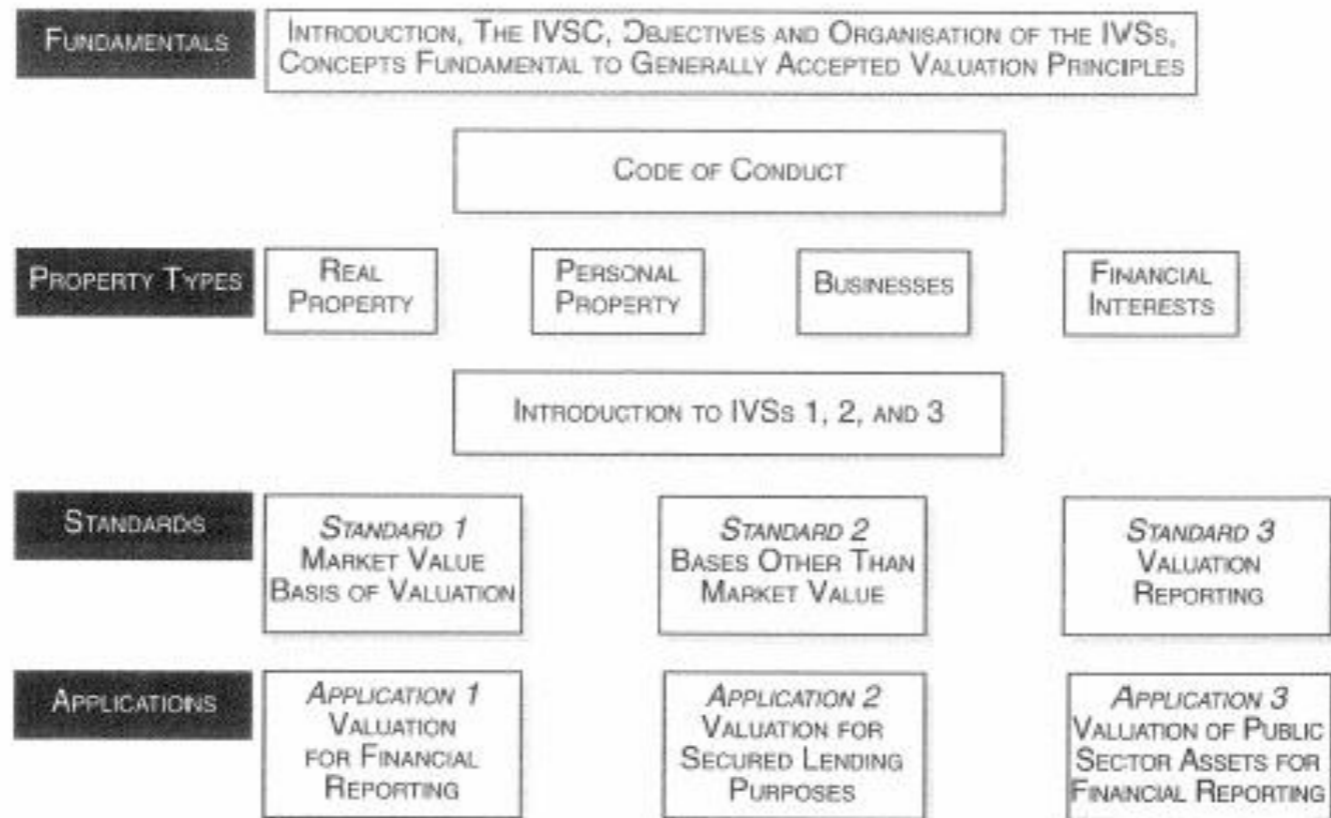
- To develop a single set of global valuation standards and requirements for the valuation of all assets and liabilities

## *The International Valuation Standards*

- 1984 – first set of International Valuation Standards published
- 1994 – adoption of ‘Market Value’ definition
- 2000 – undertook a major review of the IVS’s in response to IASC’s major revisions to accounting standards in late 1990’s (property, plant and equipment)
- 2001, 2003, 2005 subsequent revisions; IVS 2007 (eighth edition) published in July
- Structure of Standards (including Applications and Guidance Notes)

# The International Valuation Standards

## Structure of Standards, Applications, Guidance Notes, and Commentary



# The International Valuation Standards

<b>GUIDANCE NOTES</b>	VALUATION OF REAL PROPERTY	VALUATION OF LEASE INTERESTS	VALUATION OF PLANT AND EQUIPMENT	VALUATION OF INTANGIBLE ASSETS	VALUATION OF PERSONAL PROPERTY
	BUSINESS VALUATION	CONSIDERATION OF HAZARDOUS AND TOXIC SUBSTANCES IN VALUATION	COST APPROACH FOR FINANCIAL REPORTING (DRC)	DCF ANALYSIS FOR MARKET VALUATIONS AND INVESTMENT ANALYSES	VALUATION OF AGRICULTURAL PROPERTIES
	REVIEWING VALUATIONS	VALUATION OF TRADE RELATED PROPERTY	MASS APPRAISAL FOR PROPERTY TAXATION	VALUATION OF PROPERTIES IN THE EXTRACTIVE INDUSTRIES	VALUATION OF HISTORIC PROPERTY
<b>ADDENDA</b>	GLOSSARY OF TERMS				

## *International Valuation Standards – their global influence*

- Adopted as national standards, for example South Africa, Turkey
- Adopted as national standards with amendments only to meet requirements of national legislation – Australia, New Zealand
- Professional organisations adopting part of IVS for their members – RICS (UK) and Appraisal Institute Standards of Professional Practice (USA)
- Convergence projects - Uniform Standards of Professional Appraisal Practice (USA)
- IVSC has no enforcement of its own; looks to national institutes and financial professionals and authorities to enforce standards

## *IVSC – the restructuring proposal*

Unanimous decision in April 2007 to proceed with the restructuring of the organisation

The restructured IVSC will be:

- An independent standards board that encompasses the valuation of all assets and liabilities
- A management board of trustees entrusted strictly with fund raising, management and the continued health of the organisation
- A place for all stakeholders to have a voice
- A professional board to buttress the standards
- A structure that is similar to the IASB model where the Standards Board is the focal point or the heart and soul of the organisation rather than an organisation of organisations



## *IVSC – the restructuring proposal*

- The target date for implementation of the restructured IVSC is 1 January 2008. The IVSC has set itself a challenging timetable
- Requirement for adequate and sustainable funding for the IVSC continues (sponsors welcome!)

## *IVSC Discussion Paper: Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes*

- In 2006, established team of experts to work on Discussion Paper
- Chaired by Bruce Bingham (immediate past Chairman, ASA Business Valuation Committee)
- Representatives from
  - American Appraisals
  - American Society of Appraisers (ASA)
  - Canadian Institute of Chartered Business Valuators (CICBV)
  - Deloitte
  - Duff & Phelps
  - KPMG
  - PwC
  - The Appraisal Foundation
- and observers from IASB staff

## *Purpose of Discussion Paper*

Seek views regarding standardisation of the approach to take in the determination of the fair value of intangible assets for the purposes of reporting under IFRS

Need for guidance to:

- Bridge between the requirements of IFRS to measure the fair value of intangible assets and the practical performance of such exercises
- Address valuation issues not covered by IFRS
- Codify existing best practice
- Clarify areas where there are differing interpretations in practice
- Address strengths and weaknesses of different valuation methods
- Improve consistency and reliability of results

## *Starting Point*

- IFRS intangible asset valuation requirements

initial recognition of intangible assets following an acquisition  
intangible assets carried at fair value under IAS 38 or IFRS 5  
in tangible assets tested for impairment through measurement at  
'fair value less costs to sell'

- Existing IFRS valuation guidance

Little in place in IFRS 3, IAS 36 & IAS 38 so have looked  
elsewhere; other IFRS', SFAS 157, AICPA, IASB and other  
bodies

## *Areas Covered*

- **Technical Valuation Issues**  
e.g. characteristics of intangible assets, active/inactive markets, fair value, level of aggregation etc
- **Description of intangible asset valuation methods**  
sales comparison, income capitalisation, cost - including consideration of strengths and limitations
- **Consideration of inputs required to the methods**  
including benchmarking to improve their reliability
- **Approach to selection of methods**  
comparison and hierarchy
- **Valuation Process**

## *IVSC Discussion Paper: Determination of Fair Value of Intangible Assets for IFRS Reporting Purposes*

- IVSC will consider responses in developing an Exposure Draft of a Guidance Note on the topic to become an integral part of the International Valuation Standards

**Comments on the IVSC  
Discussion Paper welcomed by  
31 October 2007**

[www.ivsc.org](http://www.ivsc.org)  
[www.property.org.nz](http://www.property.org.nz)