



RICS

the mark of
property
professionalism
worldwide

VALUATION FOR FINANCIAL REPORTING valuer's perspective

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TOPICS

1. Introduction
2. The same language
3. The valuer's position
4. The independent valuer's role

Purpose of financial statements: *Interpretation of IASB:s Framework*

**Provide users with
information useful for
decion-making in
financial issues:
Users primarily investors
providing risk capital**

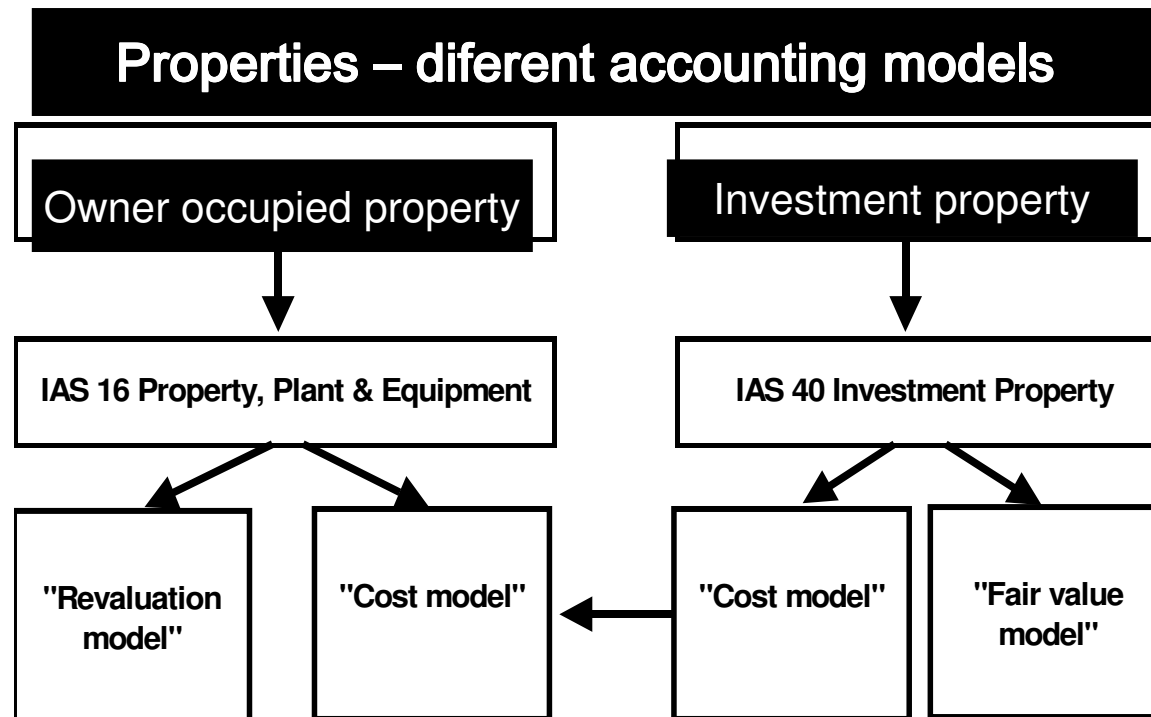
*Anglo-saxon
in many respects*

Connection to
"investor theory"

Other stakeholders:

Banks
Public sector
Employees
Customers
Suppliers

Accounting references



Owner occupied properties (regardless chosen model) and investment property (cost model) – Depreciation shall be based on a component approach

Accounting references

- An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being held
 - (*Investment Property, Par.32*)

Others

```
graph TD; A[Others] --- B(Assets held for sale IFRS 5); A --- C(Acquisitions IFRS 3); A --- D(Asset Goodwill Impairment); B --- E[IFRS 13 FAIR VALUE MEASUREMENT]; C --- E; D --- E;
```

**Assets held
for sale**
(IFRS 5)

Acquisitions
IFRS 3

Asset
Goodwill
Impairment

**IFRS 13 FAIR VALUE
MEASUREMENT**

IFRS 13 Fair Value Measurement

- **Is to be applied for annual periods beginning on or after 1 January 2013**
- **Objectives:**
 - Defines fair value;
 - Sets out in a single IFRS a framework for measuring fair value
 - Requires disclosures about fair value measurements

IFRS 13 Fair Value Measurement

- **Implication for valuers**
- Changing in few standards
 - Ex.: IAS 36, Par.53 A: Fair value differs from value in use. Fair value reflects the assumptions market participants would use when pricing the asset. In contrast, value in use reflects the effects of factors that may be specific to the entity and not be applicable to entities in general (grouping of assets, synergies, legal rights etc.)
 - Fair value is an exit price
- Risk and uncertainty , more complex valuation activity

Example

Possible Cash Flow	Probability	Probability weighted CF
500	15%	75
800	60%	480
900	25%	225
Expected CF		780

$$\text{Fair Value} = 780 / 0,08 = 722.000$$

2. The same language

- **Fair value definition**
- **Three valuation approaches**
- **A hierarchy of inputs**
 - **Level I: mark to market**
 - (comparison – quoted prices, unadjusted)
 - **Level II : mark to model**
 - (comparison techniques, DCF)
 - **Level III: inputs are unobservable**
 - (cost, DCF), entry price as approximation
- **And professional standards**
 - Ex.:Determine need to use work of expert (ISA 620)

3. The valuer's position



3. The valuer's position

- **The agreement with the client**
 - 95% discount ?
 - Client expectations/ needs
- **The auditor's analysis/ expectations**
- ISA 540 „Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures”
 - Professional competence of the Valuator (professional certification, experience and reputation in the field)
 - Valuator's knowledge and previous experience on the matter considered
 - Evaluate risk that an Valuator's objectivity will be impaired

1. % revenues from this client to total valuer's sales

.....

2. the valuer's fee was renegotiated during mission ?

If yes what was the reason

.....

3. Expected Value discussion before signing the contract

Yes

No

4. Initial payment for valuation services

Yes

No

5. Pressure for short time valuation opinion

Yes

No

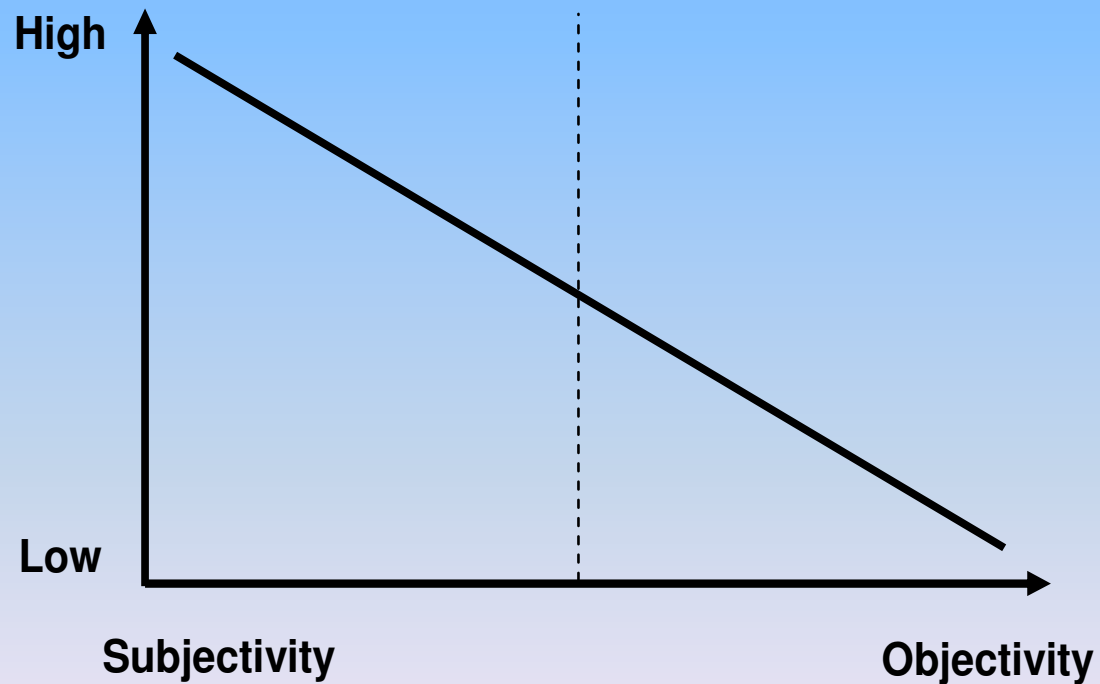
4. The independent valuer's role

- *To offer a professional & independent opinion*
- *independent valuer*
 - recognized and relevant professional qualification
 - recent experience in the location and category of the investment property being held
- *Professional standards/ Independent opinion*
 - *To be connected with accounting requirements (see IFRS 13 – Fair Value Measurements)*
 - *To meet the client's expectations*
 - *To meet the auditor's expectations*

Principle illustration - Applying FVA-concept for different kinds of assets

Need for disclosure of

- Applied methods in valuations
- Significant assumptions in valuations
- Connections between appraised figures and market evidence



MULTUMESC PENTRU ATENTIE !

