

International Valuation Standard (IVS)

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IVS 101 : Scope of Work

A **scope of work** (sometimes referred to as terms of engagement) describes the fundamental terms of a valuation engagement, such as the asset(s) being valued, the **purpose of the valuation** and the **responsibilities of parties involved in the valuation**.

IVS 101 : Scope of Work

It mainly includes:

01. Identity of the valuer
02. Identity of the client(s)
03. Identity of other intended users
04. Asset(s) being valued
05. The valuation currency
06. Purpose of the valuation
07. Basis/bases of value used
08. Valuation date
09. The nature and extent of the valuer's work and limitations
10. The nature and sources of information upon which relies
11. Significant assumptions and/or special assumptions
12. The type of report being prepared
13. Restrictions on use, distribution and publication of the report

IVS 102 : Investigations and Compliance

Investigation

- 1 Must be appropriate for purpose of the valuation and the bases of Value
- 2 Sufficient evidence must be assembled
(by inspection, inquiry, computation and analysis)
- 3 Limits may be agreed on the extent of the valuer's investigations
- 4 Reliance on information supplied by an other party and its reliability, adversely affect on the valuation opinion
- 5 All the details must be communicated to all parties to the valuation assignment

IVS 102 : Investigations and Compliance

Valuation Record

A record must be kept of the work performed **during** the valuation process and the basis for the work on which the conclusions were reached for a reasonable period **after completion** of the assignment, having regard to any **relevant statutory, legal or regulatory requirements**

Compliance with other Standards

As noted in the IVS Framework, when statutory, legal, regulatory or other authoritative requirements must be followed that differ from some of the requirements within IVS

IVS 103 : Reporting

Valuation Report

- 1 Must be **includes** all the **elements of Scope of Work**
- 2 Approach or approaches adopted
- 3 Method or methods applied
- 4 Key inputs used
- 5 Assumptions & special assumptions made
- 6 Conclusion of value & reasons for any conclusions reached
- 7 Date of the report (which may differ from valuation date)

The report must set out a clear and accurate description of the scope of the assignment, its purpose and intended use (including any limitations on that use) and disclosure of any assumptions, special assumptions, significant uncertainty or limiting conditions that directly affect the valuation

IVS 104 : Bases of Value

Bases of Value

A statement of the fundamental measurement assumptions of a valuation.

Forms of Transaction may be...

- 1 A hypothetical transaction
- 2 An actual transaction
- 3 A purchase (or entry) transaction
- 4 A sale (or exit) transaction, and/or
- 5 A transaction in a particular or hypothetical market with specified characteristics

IVS 104 : Bases of Value

Bases of Value

1. Market Value
2. Market Rent
3. Equitable Value
4. Fair Value
5. Investment Value/Worth
6. Synergistic Value
7. Liquidation Value

Premise of Value / Assumed Use

1. Highest and best use
2. Current use/existing use
3. Orderly liquidation
4. Forced sale

More discussion will be made in Bases of Valuation & Approaches

IVS 105 : Valuation Approaches and Methods

Market Approach

A valuation approach which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Methods under Market Approach

- 1 Comparable Transactions Method
- 2 Guideline Publicly (Traded Comparable Method)
- 3 Anecdotal or Rule-of-Thumb or Benchmarks

More discussion will be made in Bases of Valuation & Approaches

IVS 105 : Valuation Approaches and Methods

Income Approach

A valuation approach that provides an indication of value by converting future cash flows to a single current capital value

Methods under Income Approach

- 1 Discounted Cash Flow (DCF) Method
- 2 Gordon Growth Model/Constant Growth Model

More discussion will be made in Bases of Valuation & Approaches

IVS 105 : Valuation Approaches and Methods

Cost Approach

A valuation approach based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction

Methods under Cost Approach

- 1 Replacement Cost Method
- 2 Reproduction Cost Method
- 3 Summation Method

More discussion will be made in Bases of Valuation & Approaches

IVS 400 : Real Property Interests

A real property interest is a **right of ownership, control, use or occupation** of land and buildings.

There are three main types of interest...

- 1 The superior interest in any defined area of land. The owner of this interest has an **absolute right of possession and control of the land and any buildings upon it in perpetuity**, subject only to any subordinate interests and any statutory or other legally enforceable constraints,
- 2 A subordinate interest that normally gives the holder **rights of exclusive possession and control of a defined area of land or buildings for a defined period**, e.g. under the terms of a lease contract,

IVS 400 : Real Property Interests

- 3 A right to use land or buildings but without a right of exclusive possession or control, e.g. a right to pass over land or to use it only for a specified activity.

Intangible assets fall outside the classification of real property assets

Extent of the investigation (must be)

- 1 The evidence required to verify the real property interest and any relevant related interests
- 2 The extent of any inspection
- 3 Responsibility for information on the site area and any building floor areas

IVS 400 : Real Property Interests

Extent of the investigation (must be)

- 4 Responsibility for confirming the specification and condition of any building,
- 5 The extent of investigation into the nature, specification and adequacy of services,
- 6 The existence of any information on ground and foundation conditions
- 7 Responsibility for the identification of actual or potential environmental risks
- 8 Legal permissions or restrictions on the use of the property and any buildings, as well as any expected or potential changes to legal permissions and restrictions

IVS 400 : Real Property Interests

Special Considerations for Real Property Interests

1 Hierarchy of Interests

Head Lease & Sub-Lease Interests

Lessor, Lessee & Sub-Lessee

2 Rent

When valuing either a superior interest that is subject to a lease or an interest created by a lease, valuers must consider the contract rent and, in cases where it is different, the market rent

IVS 410 : Development Property

Development properties are defined as interests where redevelopment is required to achieve the highest and best use, or where improvements are either being contemplated or are in progress at the valuation date and include:

- 1 The construction of buildings
- 2 Previously undeveloped land which is being provided with infrastructure
- 3 The redevelopment of previously developed land
- 4 The improvement or alteration of existing buildings
- 5 Land allocated for development in a statutory plan, and
- 6 Land allocated for a higher value uses or higher density in a statutory plan

IVS 410 : Development Property

Circumstances that may require a development valuation

- 1 When establishing whether proposed projects are financially feasible
- 2 As part of general consulting and transactional support engagements for acquisition and loan security
- 3 For tax reporting purposes, development valuations are frequently needed for ad valorem taxation analyses
- 4 For litigation requiring valuation analysis in circumstances such as shareholder disputes and damage calculations
- 5 For other statutory or legal events that may require the valuation of development property such as compulsory purchases

IVS 410 : Development Property

Special Considerations for a Development Property

- 1 Residual Method
- 2 Existing *Asset*
- 3 Special Considerations for Financial Reporting
- 4 Special Considerations for Secured Lending