CONSULTATION PAPER

August 2003

VALUATION OF OWNER-OCCUPIED PROPERTIES UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

Comments to be received by 31 October 2003

This Consultation Paper is published by the International Valuation Standards Committee (IVSC) for comment only.

Comments should be submitted in writing so as to be received by **31 October 2003 at the latest**. Earlier responses would be welcomed.

All replies may be put on public record unless confidentiality is requested by the commentator. Comments should be sent by email to: **CommentLetters@ ivsc. org**
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INTRODUCTION

1. The International Valuation Standards Committee (IVSC) has issued this Consultation Paper in accordance with its commitment to ensure that the International Valuation Standards assist in the consistent and rigorous application of International Financial Reporting Standards (previously known as International Accounting Standards), promulgated by the International Accounting Standards Board.

2. The Paper has three objectives:

   (i) To underscore the lack of detailed guidance in International Accounting Standard, *IAS 16 Property, Plant and Equipment* regarding the determination of Fair Value of fixed assets;
   (ii) to seek comment on whether the current definition of Depreciated Replacement Cost adopted by the IVSC meets the requirements of IAS 16;
   (iii) to seek comment on the appropriate accounting concept for the valuation of owner occupied property under IAS 16, i.e. should it be valued as if vacant or on the basis of a capitalised notional lease. IAS 16 is silent on this issue.

3. Property assets are a significant item on the balance sheet of many companies and their proper measurement under International Financial Reporting Standards, on a basis that is clear, consistent and transparent, is essential for reliance and for comparison purposes.

BACKGROUND TO THE PAPER

4. (i) Prior to 1998, International Accounting Standard, *IAS 16 Property, Plant and Equipment* defined the Fair Value of land and buildings as "*usually its market value for existing use which presupposes continued use of the asset in the same or a similar business"*. In 1998 amendments were made to IAS 16 that led to the concept of Market Value for Existing Use being replaced by the concept of Fair Value reporting. IAS 16 now states that the Fair Value of land and buildings "*is usually its market value".*

   (ii) The introduction of the concept of Fair Value has created some uncertainty as to the application of well-tested, long-held valuation principles in valuations of property, plant and equipment assets for financial reporting purposes, and has also resulted in significant differences in the national accounting and valuation standards in those jurisdictions that permit revaluation of fixed assets.

   (iii) Fair Value is a generic term that encompasses Market Value, where there is an evidenced market for an asset, or the 'next best thing', where there is no evidenced market, such as Depreciated Replacement Cost.

   (iv) The concept of Fair Value has been embraced and encapsulated in accounting and financial reporting standards in, for example, Australia and New Zealand.

(v) However, in the UK the traditional measurement basis is founded on the 'value to the business' model (sometimes referred to as the 'deprival value' model). One of the features of this model is that assets are typically recognised at buying (entry) prices. This means that property values for an alternative use are ignored as being of no relevance to a business that is expected to continue to operate in its existing use.

5. IAS 16 allows entities to carry property, plant and equipment either at cost or at a revalued amount, being the Fair Value of the asset. The IVSC is concerned that the guidance in IAS 16 on the determination of Fair Value is inadequate and that, as a result, the measurement of assets may not be founded on a basis that is reliable and consistent. This paper is developed in the spirit of assisting in the rigorous application of IAS 16 but the revaluation of assets is also mandatory or permissible under other International Accounting Standards, for example:

IAS 22, Business Combinations
Para 39 states that "*General guidelines for arriving at the fair values of identifiable assets and liabilities acquired are as follows…*

(e) land and buildings at their market value

(f) plant and equipment at market value, normally determined by appraisal. When there is no evidence of market value because of the specialised nature of the plant and equipment or because the items are rarely sold, except as part of a continuing business, they are valued at their depreciated replacement cost".

IAS 29, Financial reporting in Hyperinflationary Economies
Paragraph 16: "*Detailed records of the acquisition dates of items of property, plant and equipment may not be available or capable of estimation. In these rare circumstances, it may be necessary, in the first period of application of this Standard, to use an independent professional assessment of the value of the items as a basis for their restatement".*

IAS 36, Impairment of Assets
Paragraph 4: This Standard applies to assets that are carried at revalued amount (fair value) under other International Accounting Standards, such as the allowed alternative treatment under IAS 16, Property Plant and Equipment.

IAS 41, Agriculture
Paragraph 25: "*Biological assets are often physically attached to land. There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land, and land improvements, as a package. An enterprise may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of biological assets".*

6. The introduction of International Financial Reporting Standard, *IFRS 1*, *First-time Application of International Financial Reporting Standards* is likely to result in the greater need for the revaluation of assets. Paragraph 16 states: "A*n entity may elect to measure an item of property, plant and equipment at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date*".

THE DETERMINATION OF FAIR VALUE UNDER *IAS 16, PROPERTY, PLANT AND EQUIPMENT*

7. IAS 16, Paragraph 29 states that "*Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses".* Paragraph 30 expands this by stating that "*The fair value of land and buildings is usually its market value".*

8. Fair Value is defined in the International Accounting Standards as "*The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction*".

9. This accounting definition of Fair Value is broader and more generic than the IVSC definition of Market Value, which is "*The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion*".

10. IAS 16 provides no definition of 'Market Value', nor does it contain any guidance on how Market Value should be determined.

11. It is generally considered that although Fair Value is "*usually"* Market Value, it can be Depreciated Replacement Cost in circumstances where a Market Value cannot be determined.

12. By contrast, IAS 40, *Investment Properties*, contains significant guidance on the determination of Fair Value. The IVSC was represented on the steering group that developed this standard. The role of the valuation profession and the link with International Valuation Standards was acknowledged in Appendix B to IAS 40: '*The valuation profession will have an important role in implementing the Standard. Accordingly, in developing its guidance on the fair value of investment property, the Board considered not only similar guidance in other IASC literature, but also the International Valuation Standards issued by the IVSC….*
B53 The Board believes that the IASC's concept of fair value is similar to the IVSC concept of market value …The Board believes that the guidance in paragraphs 29-30 and 32-38 of the Standard is, in substance (and largely in wording as well), identical with guidance in IVS 1".

13. The option of adopting Fair Value as a basis for recording assets on the balance sheet requires that the measurement of assets be founded on a basis that is reliable and consistent. The use of International Valuation Standards would help to achieve that. An increasing number of commentators share that view. As examples:

    Deloitte Touche Tohmatsu: Model Financial Statements (Dec 2002**)**
    "*Land and buildings were revalued at 31 December 2002 by Messrs. Lacey &King, independent valuers not connected with the Group, on the basis of market value. The valuation conforms to International Valuation Standards."*

    Applying International Accounting Standards (3rd Edition), Author: David H. Cairns, with Brian Creighton and Anne Daniels of BDO Stoy Hayward (Nov 2002)
    Chapter 21, Property, Plant and Equipment. "*Entities adopting the allowed alternative treatment should consult the International Valuation Standards issued by the International Valuation Standards Committee."*

14. ***Question 1**:* Do you agree that, in the absence of clearer direction in IAS 16, International Valuation Standards should be followed for the valuation of owner occupied property and for plant and machinery?

15. ***Question 2***: Do you agree that Fair Value means Market Value where there is an evidenced market for that property, or Depreciated Replacement Cost where the property is specialised or where there is no identifiable market?

DEPRECIATED REPLACEMENT COST

16. For ease of reference, IVSC Guidance Note, *GN 8, Depreciated Replacement Cost* is attached as Appendix A. Other references made to extracts from the Sixth Edition of the International Valuation Standards (2003) can be viewed on the website www.ivsc.org.

17. Depreciated Replacement Cost (DRC) is, with Market Value, one of the most important definitions relating to Generally Accepted Valuation Principles and cited in the International Valuation Standards. The IVSC must ensure that both the concept and the application are well-founded and clearly and unambiguously understood and applied.

18. Where an identifiable Market Value cannot be attributed to an owner occupied property, then valuation convention recognises that Depreciated Replacement Cost (DRC) is a suitable alternative, albeit non-market, valuation basis, and one falling within the definition of Fair Value. This situation will usually arise only where an asset is specialised or where the only transaction price evidence reflects a monopoly situation.

19. IAS 16 provides no guidance on what to do when Market Value is not determinable or when it might not be appropriate for land and buildings. However, in relation to plant and equipment, IAS 16 does state that "when there is no evidence of market value because of the specialised nature of the plant and equipment and because these items are rarely sold, except as part of a continuing business, they are valued at their depreciated replacement cost".

20. It is noted that International Public Sector Accounting Standard IPSAS 17, *Property, Plant and Equipment*, paragraphs 42 and 43, prescribe the use of depreciated replacement cost for valuing both *specialised buildings* and *other man-made structures* as well as *items of plant and equipment of a specialised nature*. It is probably consistent with the intention of the International Accounting Standards that DRC be used in the absence of an identifiable Market Value for land and buildings.

21. No definition of DRC is given in the International Accounting Standards.

22. Depreciated Replacement Cost (DRC) is currently defined by the IVSC in the 6th edition of International Valuation Standards (2003) as "*An acceptable method used in financial reporting to arrive at a surrogate for the Market Value of specialised or limited market properties, for which market evidence is unavailable. DRC is based on an estimate of the Market Value for the Existing Use (MVEU) of the land plus the current gross replacement (or reproduction) costs of the improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation".*

23. The question has been raised as to whether that definition is consistent with the requirements of IAS 16. New Zealand has amended its accounting standards to embrace the concept of

Fair Value to conform to International Financial Reporting Standards. New Zealand accounting standards define DRC as follows:

"*Depreciated replacement cost is a method of valuation that is based on an estimate of:*

(a) *in the case of property:*
  (i) *the fair value of the land; plus*
  (ii) *the current gross replacement costs of improvements less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity;*

(b) *in the case of plant and equipment, the current gross replacement cost less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity." (FRS-3)*

24. The New Zealand standard goes on to state: "*'Optimisation' refers to the process by which a least cost replacement option is determined for the remaining service potential of an asset. This process recognises that an asset may be technically obsolescent or over-engineered, or the asset may have a greater capacity than that required. Hence optimisation minimises, rather than maximises, a resulting valuation where alternative lower cost replacement options are available. In determining depreciated replacement cost, optimisation is applied for obsolescence and relevant surplus capacity (FRS-3, paragraph 4.13)".*

25. The definition of DRC in the Professional Practice Manual issued by the Australian Property Institute is similar to that in IVS. However, the Manual also states *"Where the DRC methodology is adopted and the value of the land for an alternative use is equal to or higher than the value of the (total) asset – after allowing for the cost of works to bring the land to a state in which the alternative use can be exploited (eg. demolition and removal of plant and equipment) – then the land value, net of these costs, is the value of the asset".*

In these circumstances, there is an evidenced market, and therefore, a Market Value, over-and-above the calculation produced by a DRC estimate. This is in keeping with IVS valuation principles.

26. There is a clear difference between the definition of DRC adopted by the New Zealand accounting and valuation professions (see paragraph 23 above) and that adopted by the IVSC, in particular the basis of the valuation of the land. The IVSC is consulting on whether its existing definition meets the requirements of the International Accounting Standards.

27. Whichever basis the land is assessed on, there will be an impact on the quantum of value ascribed to the improvements. That, in turn, will influence the depreciation charge shown in the Accounts. This, however, is an accounting issue rather than a valuation one.

28. The IVSC is seeking widespread comments on the issues raised in the following paragraphs.

29. DRC is described by the IVSC as *"an acceptable method used in financial reporting to arrive at a surrogate for the Market Value".*

Question 3: Does the word "surrogate" properly describe the required role of DRC?

30. The IVSC definition restricts the use of DRC to specialised or limited market properties, for which market evidence is unavailable. "Specialised Properties" are defined in paragraph 3.2 of IVSC Guidance Note 8*, Depreciated Replacement Cost* as "*Properties that are rarely if*

ever sold on the (open) market, except by way of a sale of the business or entity of which they are a part, due to their uniqueness, which arises from the specialised nature and design of the buildings, their configuration, size location, or otherwise. Consequently, reliable sale comparables cannot generally be identified for specialised properties."

Question 4: Do you agree with that definition?

31. Paragraph 5.1.1 of IVSC Guidance Note 8*, Depreciated Replacement Cost* states that "*The fact that a property may meet the definition of specialised property or limited market property does not automatically lead to the conclusion that a DRC valuation basis must be adopted. Even though a property has the characteristics of a specialised property or limited market property, it may be possible to perform a valuation using the cost approach, market comparison approach and/or income capitalisation approach*."

Question 5: Do you agree with that statement?

32. ***Question 6:*** Are you satisfied that there is no contradiction between paragraphs 3.2 and 5.1.1 of the Guidance Note in respect of the treatment of Specialised Properties?

33. Limited Market Property is defined in paragraph 3.3 of Guidance Note 8 as "*Property that because of market conditions, unique features, or other factors attracts relatively few potential buyers*." Some commentators consider that category of property should be excluded from the definition of DRC on the grounds that "relatively few potential buyers" should be sufficient for a competent valuer to attribute a Market Value. Commentators are also concerned that DRC should be understood and applied as a valuation of "last resort" and that "Limited Market Property" provides an easy loophole for valuers to avoid attributing a Market Value.

Question 7: Do you think that this category of property should be excluded from the definition?

34. (i) Guidance Note 8 states that "*DRC is based on estimate of the Market Value for the Existing Use (MVEU) of the land plus the current gross replacement (or reproduction) costs of the improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation"*. The application of Market Value for the Existing Use to the land may emanate from the "Existing Use Value" approach to valuation based on the "Value to the Business" accounting model adopted by some States, e.g. UK, and in IAS 16 prior to its amendment in 1998.

(ii) New Zealand has interpreted the requirement of IAS 16, following the 1998 amendment (whereby Fair Value replaced MVEU), to mean that the land element in a DRC calculation should be reported at Market Value. In support of this view, it is contended that IAS 16 refers to land and buildings as separable assets. It is almost always possible to relate the value of land to market prices and hence, the Fair Value can only be the Market Value at highest and best use. There is no provision in IAS 16 for an assessment to be made at Market Value for Existing Use. However, the New Zealand valuation profession accepts that it may be necessary for the valuer to use MVEU in determining the economic obsolescence applicable to the improvements as part of the process of arriving at the Fair Value of the improvements.

Question 8: Do you think that the definition of DRC should follow the requirement that the land element be reported at Market Value, or should the definition accord with DRC methodology under which land is shown at Market Value for Existing Use?

35. Some commentators suggest that, where the land values differ, a DRC methodology that utilises the sum of the Market Value for Existing Use of the land and the Depreciated Replacement Cost of the improvements should produce the same result as a DRC methodology that is based upon the Market Value of the land and the Depreciated Replacement Cost of the improvements, as long as the improvements are appropriately depreciated on both bases. If the Market Value of the land exceeds the Market Value for Existing Use of the land by a certain sum, then the improvements should be reduced by a similar sum for that "additional economic (or external) obsolescence".

Question 9: Do you agree?

36. Of the three valuation methodologies/approaches used to assess Market Value (as described in IVS 2003), the Cost Approach is most akin to DRC (see the continuum on page 112 of IVS 2003 which defines this relationship). The Cost Approach is based on the Market Value of the land plus the estimated cost of improvements, suitably adjusted depreciation and obsolescence, based on available market data.

Question 10: Do you consider that the basis for valuing the land element should be the same under DRC and the Cost Approach – i.e. at Market Value?

37. ***Question 11:*** If you consider that no change should be made to the current IVSC definition of DRC, then do you think that Guidance Note 8 (paragraphs 5.6-5.8, in particular), adequately explains the current two-step approach – first, applying one DRC methodology (reflecting MVEU of land), and then reallocating the constituent parts (reflecting Market Value of land) for financial reporting?

38. ***Question 12:*** Do you think that the two examples, A & B, in the addendum to Guidance Note 8, appropriately reflect the text in the Guidance Note and provide sufficient clarity?

39. The IVSC definition of DRC states that it is "*based on an estimate of the Market Value for the Existing Use of the land plus the current gross replacement (or reproduction) costs of the improvements….."* The reference to reproduction cost may be unnecessary and confusing because the objective of DRC is to assess the cost of replacing the service potential of the asset, not reproducing an identical asset.

Question 13: Do you think that reference to reproduction costs should be removed from the definition?

40. Guidance Note 8 states that DRC may be either described as a valuation methodology, or as a basis of value/defined value. Some commentators consider that DRC is a valuation "method" used to arrive at a surrogate for Market Value in the absence of market comparables. Because DRC is a non-market assessment, others commentators consider it to be a separate valuation 'basis' from Market Value.

Question 14: In describing the adoption of a DRC estimate for reporting purposes, do you consider that it should be described as a "methodology" or a "basis" or both?

41. ***Question 15:*** Do you consider the DRC assessment to be a "valuation" or an "estimate"?

42. "Optimisation" is referred to in the IVSC definition of DRC.

Question 16: Do you think that the wording should read "obsolescence <u>or</u> optimisation" rather than "obsolescence and optimisation"?

43. ***Question 17***: Do you consider “optimisation” to be a methodology and therefore an unnecessary reference within that definition?

44. ***Question 18:*** Do you think that “optimisation” should be defined and the methodology more fully explained in Guidance Note 8?

45. The current IVSC definition refers to ‘properties’ and makes no reference to ‘plant and equipment’.

Question 19: Do you agree that the IVSC definition of DRC should include the following: *“In the case of plant and equipment, DRC should be based on an estimate of the current gross replacement cost less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity”*?

46. ***Question 20***: Do you consider that DRC is only applicable to valuations for financial reporting, i.e. for the purposes of International Financial Reporting Standards, or do you believe it to be applicable for valuations for other purposes?

47. The DRC estimate is calculated as being subject to the adequate profitability of the enterprise.

Question 21: Do you agree that it is the directors/managers of the entity that must determine whether the entity is adequately profitable to support the DRC estimate?

48. ***Question 22***: Do you agree that it is the directors/managers of the entity that must determine whether the entity is adequately profitable to support the DRC estimate?

49. ***Question 23:*** Do you agree that the written down figure, assessed by the directors/managers, represents the asset’s Value in Use?

50. ***Question 24:*** Do you consider that a DRC estimate should provide comfort as to the likely Market Value of the property asset if one existed?

51. ***Question 25***: Depending on your view as to the appropriate accounting concept, and noting that DRC takes no account of whether the property is occupied or not, does the DRC estimate provide adequate comfort as to a surrogate for Market Value?

VALUATION OF OWNER-OCCUPIED PROPERTY – VACANT POSSESSION OR BENEFIT OF OCCUPATION?

52. National valuation setters have different opinions as to how an owner-occupied property should be treated. In the absence of an agreed approach and because the International Accounting Standards offer no guidance under IAS 16 as to the accounting treatment for the financial reporting of owner-occupied property, the 6th edition of International Valuation Standards (2003) (IVA 1) permits either one of two approaches:

"Owner-occupied Properties. The Valuer may be required for statutory or other valid reasons to assume either:

6.2.5.1 Vacant possession, which assumes a property has no current occupants. The valuation report or certificate should refer to the value derived from market evidence of vacant possession sales of comparable properties. This approach reflects the replacement of the asset at its lowest cost; or

6.2.5.2 Occupation of the property, which reflects the continuing benefit of the asset to the business. In some jurisdictions, a notional lease is assumed and the cash flows capitalised to arrive at the fair value figure".

The likelihood is that valuation figures developed on the two bases set out above would be different. The IVSC is concerned that under IAS 16 an inconsistency may arise in the valuation of owner-occupied properties and therefore seeks to confirm one valuation basis only as being current.

53. For the avoidance of doubt, the term "vacant possession" means, in this context, a vacant property.

54. The alternative valuation approaches are illustrated on the following pages:

Example of Basis 1 – An owner-occupied property valued on the assumption of vacant possession (i.e. that the property is valued as if empty. This is the basis on which a property would be bought).

Methodology: Vacant properties are bought either by owner-occupiers or by investors seeking to lease up the property for income generation.

The most straightforward approach to assessing market value, for pricing purposes, is direct evidence comparison with other vacant properties.

Another approach is to view the property's value from the perspective of an investor. This example illustrates this approach as easy comparison is then made with the methodology used under Basis 2.

Industrial Unit	10,000 sq.ft		
Rental Value (a)	$7 per sq. ft		
			$70,000
Capitalised (as if a let			9.52 ($^{100}/_{10.5}$ = 9.52)
investment at 10.5% yield (b)			$666,400

Less, Lease up costs (c):

(i) Vacancy period, being estimated as the expected time it will take before a tenant is
signed up and lease commences.
Say 6 months. = ($35,000)

(ii) Rent free period allowance to tenant
(defers start of cash flow for a period
after lease commencement). Say 12 months
or $70,000 p.a. = ($70,000)

(iii) Marketing Costs

- Advertising	$ 2,000		
- Letting Agents fee	$ 7,000		
- Legal costs	$ 3,000		
- Contribution to tenant's fit out	$15,000	=	($27,000)
			$534,400

Less allowance for purchaser's acquisition
costs at say 5.0%, say **$507,700** (d) (Contract Price)
= Market Value

Notes:
(a) Assuming a lease on typical market terms and duration.
(b) Assuming a tenant's covenant typical for that property in that market, but discounted for investor risk, uncertainty of achieving a letting within estimated period, risk of market downturn, etc.
(c) The calculations of lease up costs have been simplified for ease of illustration.
(d) Cross-checked against available evidence of sales of vacant industrial units to owner-occupiers at $50 per sq.ft for comparable premises (see 'methodology' above).

Example of Basis 2 - occupation **An owner-occupied property valued to reflect the benefit of**

Industrial Unit	10,000 sq.ft	
Rental value (a)	$7 per sq.ft	
		$70,000
Capitalised at 10% yield (b)		10.0 ($^{100}/_{10}$ = 10)
		$700,000

Less allowance for purchaser's acquisition
costs at say 5.0%, say **$665,000** (c) (Contract Price) = Market Value.

Notes: (a) Assuming a lease on typical market terms and duration.
(b) Assuming a tenant's covenant typical for that property in that market.
(c) Akin to value as an Investment Property (IAS 40), i.e. value on sale-and-leaseback.

55. In a weak leasing market – perhaps due to over-supply of vacant properties and/or limited occupier demand, the differential between Examples 1 and 2 is likely to widen. In a very strong leasing market, the differential may be only minimal. In certain circumstances, e.g.: in a residential house market, the vacant possession value (Example 1) may exceed the let investment value (Example 2).

56. Valuers in Australia, for example, are directed by their local standards to value properties to reflect their occupation by the business. The reasoning is that the going concern concept assumes continuous occupation of the property. Fair Value is interpreted therefore as being able to reflect the occupation of the property by the business. The Professional Practice Manual issued by the Australian Property Institute directs valuers to assume a notional lease, the lease rent then being capitalised for valuation purposes. Consequently, no lease up costs are reflected by way of deduction (to cover, inter alia, a void period, rent-free period, marketing costs or other incentives). That valuation will equate, in effect, to a sale-and-leaseback value (although the Australian rules stipulate that the covenant of the actual occupier should be ignored).

57. On the other hand, in the UK the assumption of a going concern and continuous occupation of a property by the business is interpreted principally as a reflection of a "value in exchange" valuation figure based on the market evidence of similar vacant properties. It is acknowledged, however, that this is not consistently practised in the UK.

58. Some commentators consider that both bases can co-exist: the Example of Basis 2 applying to properties "in use" by the business and the Example of Basis 1 applying to properties held for sale.

59. ***Question 26***: Do you agree that there should be only one basis for valuing owner-occupied property? If so, which basis do you favour and why? If not, why do you prefer to see two bases retained?

60. ***Question 27***: If you consider that a "going concern or in-use" valuation premise should be

used for those assets that are held and used by the business, does the valuation approach and methodology set out in Example 2 “An owner-occupied property valued to reflect the benefit of occupation” properly reflect that requirement?

61. ***Question 28***: The two Examples are provided to illustrate the difference in values produced by the two valuation bases in given circumstances. Are you satisfied that these are fundamentally well-based?

CONCLUSION

62. Please clarify any other issues arising from this Paper or from the topics covered that you believe are relevant in framing appropriate International Valuation Standards to meet the objectives and requirements of International Financial Reporting Standards.