

MALAYSIAN VALUATION STANDARDS

STANDARD 44 **13**

VALUATION OF PLANT, MACHINERY AND EQUIPMENT

13.1.0 INTRODUCTION

13.1.1 Valuers are frequently instructed to value plant, machinery and equipment used together in an enterprise or by themselves. These include installations and support facilities for processing or manufacturing which are designed to perform a specific pre-determined function. They may also include all non-realty devices in fixed or moveable form, deployed in processing, manufacturing or assembly of products from the stage of raw materials to finished goods. Separately reported items such as materials, inventories, finished products, patents usually do not form part of plant, machinery and equipment.

13.1.2 Plant, machinery and equipment constitute a class of property other than real property. For accounting standards these are classified as tangible assets.

13.1.3 Plant, machinery and equipment are individually distinguished defined as follows:-

13.1.3.1 Plant includes assemblage of assets that may include specialised non-permanent buildings, machinery and equipment.

13.1.3.2 Machinery includes individual machines or collections of machines. A machine is an apparatus using or applying mechanical power, having several parts each with a definite function, and together performing certain kind of work.

13.1.3.3 Equipment includes ancillary assets that are used to assist in the functioning the function of the enterprise.

13.2.0 STATEMENT OF STANDARDS

- 13.2.1 The Valuer shall use the market value basis for all valuations; where the Valuer adopts a basis other than market value, such basis should be clearly stated.
- 13.2.2 All plant, machinery and equipment shall be properly inventoried, inspected and adequately described to give an accurate picture of the item or items being valued.
- 13.2.3 The Valuer may use any appropriate method to value the class of assets called plant, machinery and equipment. He shall disclose the method of valuation used in each valuation.
- 13.2.4 The Valuer, who uses the Depreciated Replacement (DRC) Method should qualify every valuation on the DRC basis as being subject to adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation. It is for the Directors or owners of the property to decide on the adequacy of the profit potentiality or service potential.

13.3.0 EXPLANATION

- 13.3.1 Plant, machinery and equipment valuations are specialised and require experience and specific training. Valuers are advised to ensure that they have the requisite experience and training before accepting any instructions for the valuation of plant, machinery and equipment.
- 13.3.2 Where Valuers use dedicated persons to assist in the valuation, their names and qualification may be included in the valuation report.
- 13.3.3 Where special expert advice is used, such advice may be disclosed in the report.
- 13.3.4 Valuers must ensure that proper inspections are carried varied out in accordance with MVS 8. The proper referencing and recording of each item

of plant, machinery and equipment are very important aspects of plant and machinery valuations. Whenever available, the description should include among others, the brand, model, type/function of the Plant, Machinery and Equipment, serial number, capacity particulars, accessories, manufacturer, year of manufacturing and country of origin. Valuers should exclude items of plant and machinery that are under leasing unless specifically instructed to do so in which case this must be adequately disclosed.

13.3.5 Valuers should be conversant in items of plant, machinery and equipment that are generally valued as building components and ensure there is no overlapping or double counting of items. These items include the air-conditioning systems, lift operating systems, stand-by generator systems, pumps and motors used in water and sanitary disposal systems, Building Automation systems and other IT based systems that are now traditionally included in a Building valuation, unless specially instructed to do so, in which case, the Valuer shall state so in his report.

13.3.6 Where an item of piece of plant, machinery and equipment is old and its substitute not available, then the Valuer may have regard to a suitable, modern substitute having regard also to its age and function. In cases where such plant, machinery and equipment merit only a salvage value the Valuer shall state this in the report.