

MALAYSIAN VALUATION STANDARDS

STANDARD 7

PURPOSES OF VALUATIONS

7.1.0 INTRODUCTION

7.1.1. A valuation is commissioned for an intended use and the purposes for which a particular valuation is required is critical to the selection of an appropriate basis of valuation. Therefore, the Valuer should be clear about the purpose of the valuation.

7.2.0 STATEMENTS OF STANDARD

7.2.1. The purpose for which the valuation is undertaken must be clearly stated.

7.2.2. The purpose of valuation and the basis of valuation to be adopted must comply with the following unless the client, statutory / regulatory requirements or legal documents (such as agreements or leases) specify otherwise. In such a case, the Valuer must explain the reasons why a different basis of valuation is adopted-

- (a) For **financing** ~~lending~~ purposes – See MVS 4.
- (b) For fire insurance: the basis of valuation shall be the Reinstatement Cost New or such other basis as is identified in a fire insurance contract or policy. The Valuer may provide the valuation on the Indemnity Basis if specifically instructed.
- (c) For Financial Reporting – See MVS 3.
- (d) For Sale and Purchase : the basis of valuation shall be Market Value.

- (e) For Sale under foreclosure – the basis of valuation shall be Market Value as stipulated by the National Land Code or the Sarawak Land Code (Sarawak Cap 81); or Land Ordinance (Sabah Cap 68).
- (f) For all valuations to be submitted to the Securities Commission for its consideration – See MVS ~~15~~14.
- (g) For all valuation to be submitted to the Director of Insurance and Takaful Supervision, Bank Negara for insurance purposes – See MVS~~16~~15.
- (h) For Compulsory Acquisition: the basis of valuation shall be in accordance with the provision of the appropriate Act which is either the Land Acquisition Act 1960 (as amended); or the Sarawak Land Code (Sarawak Cap 81); or Land Acquisition Ordinance (Sabah Cap 69).
- (i) For rating purposes: the basis of valuation shall be in accordance with the provisions of the appropriate Act which is either the Local Government Act 1976 (as amended); or the Local Authorities Ordinance, 1996, Sarawak or the Local Government Ordinance 1961 (Sabah No. 11 of 1961).
- (j) For other purposes: the basis of valuation shall be Market Value; if any other basis is used the Valuer shall explain the basis and reasons for the basis; in accordance with MVS 2.

7.3.0 EXPLANATIONS

7.3.1. The Statements of Standard is to ensure that the appropriate basis of valuation is adopted in relation to the purpose of the valuation for which the valuation is required. This will avoid the wrongful use of valuations for a purpose for which the valuation was not intended.