

MALAYSIAN VALUATION STANDARDS - SIXTH EDITION 2019

INTRODUCTION

The 6th Edition of the Malaysian Valuation Standards (MVS) is effective from 1 January 2019 and supersedes all previous editions of the MVS that have been issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers (Board). The MVS also prevails over any prior Circulars issued by the Board in the event there is any conflict between the Circulars and the MVS.

This Sixth Edition comes with 19 Standards and two introductory chapters. The introductory chapter commences with Definitions of terms and words used in the Standards. This is to ensure that the terms are used correctly so as to minimise ambiguity. The second introductory chapter is on General Valuation Concepts and Principles normally used in the valuation profession. Concepts are explained so that the valuer and other users of the standards are clear about the concepts and principles that are being used. Some of the concepts discussed are "Land and Property Concepts", "Real Estate, Property and Asset Concepts", "Price, Cost and Market Value", "Highest and Best Use" and "Utility". Certain of these concepts and principles are partly extracted from the International Valuation Standards.

The 6th edition also comprises the Business Valuation Guidance Notes, which include the valuation of intangible assets and sets a framework to guide Registered Valuers who undertake business valuations. As many Registered Valuers are qualified to undertake business valuations, these Business Valuation Guidance Notes serve to lay down best practices and experiences. The Business Valuation Guidance Notes should not be taken to be exhaustive of all conceivable situations that may arise in practice. Notwithstanding that, Registered Valuers should at all times, conduct business valuations based on best practices and act in a manner consonant with the dignity of the profession.

THE MVS STANDARDS

MVS 1 "Qualifications of Valuers and Conflicts of Interest" ensures that only Valuers who have sufficient knowledge, skill and expertise to complete the valuation competently can carry out valuations.

MVS 2 "Conditions of Engagement" specifies the scope of work to ensure compliance by the Valuer and to avoid misunderstanding with the client. Amongst the requirements are the purpose and intended use of the valuation, the interest to be valued, the basis of valuation, assumptions to be used in arriving at the valuation, the basis of and responsibility for fees payable and the limits or exclusion of liability to other parties.

MVS 3 "Purposes of Valuation" refers to the purpose for which a valuation is carried out and to ensure that the appropriate basis of valuation is adopted. This will avoid the wrongful use of the valuation for a purpose for which it was not intended, or used out of context.

MVS 4 "Market Value Basis of Valuation" is defined for the purpose of these Standards, in accordance with the IVS, as follows:-

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

MVS 5 "Valuation Bases of Value Other Than Market Value" refers to properties which may be valued on Bases/Premises of Value other than Market Value, or may exchange hands at prices, which do not reflect Market Value as defined. Such alternative Bases/Premises of Value may either be reflections of a non-market perspective of utility, or of unusual and non-market conditions

MVS 6 "Inspection and Investigation" states the importance of a proper inspection and referencing of the subject asset/property and the neighbourhood. Though a Designated Assistant is allowed to carry out the inspection and collection of data, nevertheless, the Valuer has to take responsibility for the accuracy of all the data used in the valuation.

MVS 7 "Approaches to Valuation" states how the Valuer should use an appropriate approach of valuation in carrying out his valuation. Where possible, more than one approach should be used and usually, but not necessarily, one may be the primary approach and the other acting as a check. Importantly for Market Value assessments, all inputs, notwithstanding the approach, must be market derived or accepted proxies, and this includes capitalisation and discount rates in the case of the Income Approach.

MVS 8 "Valuation Reports" sets out the minimum requirements to be contained in a Valuation Report. In specific cases such as that for submission to the Securities Commission Malaysia/Bursa Malaysia Securities Berhad, the Valuation Report should comply with additional requirements as specified by the user of the Valuation Report or the client.

MVS 9 "Valuations Based on Assumptions" has been introduced to ensure that the Valuer using assumptions in his valuation, which are not generally assumed, will state such assumptions clearly. Where assumed facts differ from those existing as at the valuation date they are referred to as "additional assumptions".

MVS 10 "Valuations for Financial Reporting" – outlines the standards expected when preparing valuation reports for financial reporting. With the adoption of "mark to market" or fair value accounting, both internationally and in Malaysia, companies and entities would increasingly require

valuations of their assets at more regular intervals as under these standards, the companies or entities are required to show these assets (held for use in their business, or as investments or surplus to their requirements) in their balance sheets at their "fair value".

MVS 11 "Valuation of Biological Assets" - valuers may be called upon to value biological assets attached to land in line with the requirements of the International Accounting Standards (IAS) 41 or MFRS 141 (Agriculture), both of which require biological assets that are physically attached to land to be fair valued, separately from the land.

MVS 12 "Valuations for Financing Purposes" - sets out the standards required when valuing properties as collaterals for lending to financial institutions. When valuing for project lending, Valuers are encouraged to incorporate recommendations that lending institutions should carry out feasibility studies prior to approval.

MVS 13 - Update Valuations - firms are only permitted to undertake full Valuation Reports as provided for under MVS 8 and Update Valuations as provided by this Standard.

MVS 14 - Mass Valuation for Property-Backed Portfolios - banks and other financial institutions conduct periodic reviews of parts or the whole of their property-backed loan portfolio. This is required to ensure capital adequacy of the collaterals, under BASEL requirements.

MVS 15 "Valuation of Plant, Machinery and Equipment" spells out the standards for the valuation of plant and machinery. In most instances the basis of valuation is market value. Items to be valued must be properly inventoried, inspected and adequately described.

MVS 16 – "Valuations for Submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia" sets out the standards that must be strictly adhered to.

MVS 17 "Valuations for Submission to the Securities Commission Malaysia" states that all valuations undertaken for submission to the Securities Commission Malaysia (SC) shall comply strictly to the Asset Valuation Guidelines issued by the SC.

MVS 18 "Valuations for Submission to the Bursa Malaysia Securities Berhad" states that all valuations undertaken for submission to the Bursa Malaysia Securities Bhd shall comply strictly to the Asset Valuation Guidelines issued by the SC.

MVS 19 "Limiting Conditions" sets out the standard limiting conditions under which the report is prepared. Any other limiting conditions must be agreed with the client and spelt out in the report.