

CEV INTEGRAL APPRAISERS FOUNDATION

ANALYSIS OF VALUATION REPORTS BY COMMITTEE OF EXPERTS

After examining & going through various valuation reports and after noting the various deficiencies / Lacunas, the committee came to the conclusion that valuers should

- Purpose of valuation should be clearly recorded.
- Identity of the valuer has to be properly disclosed. If assistance of other expert or other registered valuer is obtained, then it should be clearly mentioned.
- All the points under scope of the work is to be recorded properly.
- The inspections and/or investigation done must be given under separate head / point and not merged with other points.
- Mention the valuation standards followed while preparing the valuation report. i.e valuation standards should not only be followed properly but they also should be named and identified properly and mentioned by their unique name and numbers for proper understanding.
- While adopting sales comparison approach verified sales instances / verified quotation should be properly listed out in the report itself and should not remain only in working paper. Supporting evidences should be properly recorded and explained. In fact proper supporting data related to any approach should be properly listed out.
- Information of the asset valued should be properly recorded at one place. Also in case of multiple assets adequate details of each asset is to be properly mentioned.
- Each report should be prepared as a fresh document and should not be done in cut and paste manner to avoid inconsistencies and contradictions in the report.
- Errors in numerical calculations should not occur. Numerical calculations should be checked thoroughly before signing the report.
- Explanation on methodology applied to arrive at specific valuation should be provided clearly.

- All assumptions / special assumptions should be clearly mentioned at one place as a separate point.
- Tenure of land i.e. Freehold or lease hold should be clearly indicated and encumbrances, if any, should be clearly recorded. Similarly, in case of movable asset ownership or lease and any encumbrance has to be recorded.
- A note about any conflict of interest is to be properly and clearly mentioned.
- Valuation reports should, as far as possible and practicable, try to consider all three approaches to valuation and record proper reason for selecting a particular approach and a proper reasoning for disregarding other approaches.
- Notes to the reports should be specific to the asset class pertaining to the valuation report and should not be done in casual manner as to indicate that it is a copy and paste job.
- Definition of all types of values provided in the report i.e. "Fair Value", "Liquidation Value" etc should be properly recorded in the report.
- Details of the appointing authority should be properly recorded.
- All disclosure, caveats, limitations/limiting conditions and disclaimers should be recorded under proper headings at one place.
- Date of valuation report and date as on which valuation report is prepared should be separately and distinctly visible.
- Major factors that were taken into account while preparing valuation report should be properly recorded.
- Conclusion has to be clear and unambiguous.
- Restrictions on use of the report, intended user and purpose has to be indicated clearly and at proper place under separate heading.
- Date of site visit / inspection has to be clearly mentioned.
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The only purpose of this analysis is to make aware to the valuers, the common mistakes they are making so that they can avoid it in future.