

Global Standards for a Global Profession: Developing Understanding for 'Value in Use'

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ABSTRACT

This paper develops work carried out by the authors in the field of asset valuations for financial statements. Their research has concentrated on the treatment of owner-occupied properties in the balance sheet, where a policy of re-valuation is pursued. This paper develops this theme within the context of emergent global standards. It also explores the issue of a hierarchy of standards.

To be meaningful, valuations should meet the tests set by Lind (1998) yet research indicates that this is often not achieved. Much of the debate turns on the *basis* of valuation adopted. In a previous paper (Sayce and Connellan, 2001[b]) the authors called for a universal abandonment of the concept of *Existing Use Value* (EUV), which is, in any case, now excluded from International Valuations Standing Committee (IVSC) guidance. Instead, they advocated the preparation of *Market Value* (MV) and *Value in Use* (VU) calculations to satisfy the generic concept of '*Fair Value*'. The difficulty is that, whilst MV is a well-recognised concept, there is no common understanding of how a VU could be arrived at for owner-occupied property. Since that time the Royal Institution of Chartered Surveyors (RICS) has announced that it is considering the abandonment of EUV, except in a local context (RICS, 2001[c]).

This paper examines some of the possible effects of such abandonment. It concludes that it may lead to an increased need for valuers to regain skills in relation to the determination of *Value in Use*. A refined model based on *Going Concern Value* is put forward for debate.

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