

## **Draft Comments on proposed IVSC Asset Standards effective from 2028**

This document is an initial draft of our responses to the questions in the Consultation Draft of the proposed International Valuation Standards issued on 31 January 2026.

We have set out the questions in the IVSC's [Summary and Consultation Questions](#) document and our draft answers in a tabular format, i.e. the IVSC question in bold followed by Valuology's draft response.

The IVSC document only asks questions in respect of proposed changes to the IVS 200 series on businesses and business-related assets and to IVS 500 on Financial Instruments. However, changes are also proposed to IVS 300 Plant, Equipment & Infrastructure and to the IVS 400 series on Real Property. We also have comments on these standards and these follow on from the IVSC's questions in a similar format.

We are making this draft public at an early stage to encourage open debate and wider engagement with the IVSC. Some may agree with the points we have made, others disagree, but either way we encourage readers to make their views known directly to the IVSC.

This can be done by answering an online questionnaire on the IVSC website or emailing a document to them. For those who prefer the latter we have created a Word version of their questionnaire which can be [downloaded from our website](#).

Please note the following:

1. We will not be finalising our comments to the IVSC Consultation Draft until shortly before the closing of the consultation period on 30 April 2026. We may well change comments in this draft or add additional ones.
2. Even if you agree with something we have said, please do not simply copy our proposed answer. Your response will carry more weight if you can support it with examples from your own experience.

## General Comment on Asset Standards:

The purpose of the Asset Standards should be to explain how the General Standards can be applied to each specific type of asset (or in some cases liability). While cross references are obviously needed to the General Standards, the General Standards themselves should not be partially repeated or paraphrased otherwise users of the standards interested in only one asset class may consider the relevant Asset Standard to be self-contained and the General Standards of no relevance. The focus of the Asset Standards should be on how valuations for each asset type can comply with General Standards. i.e. fewer “musts” and more “how to’s”.

We provide a few examples of where there are unnecessary instructions on what “must” be done which just reiterate provisions in the General Standards in our comments below. However, we recommend that all the Asset Standards are looked at critically to remove paraphrasing rather than simply cross referencing the General Standards. Not only would this avoid misunderstanding of the mandatory elements of the IVS but also usefully shorten and simplify the Asset Standards.

### Answers and Comments on IVSC’s questions

#### Business Valuation Standards

14. **The Exposure Draft proposes introducing additional sections aiming to provide for better alignment of the Business Valuation asset standards with the General Standards. These sections also seek to improve comparability between Business Valuation asset standards and other Asset Standards, most notably with IVS 300 and IVS 400. These sections include Valuation Framework (Section 30), Scope of Work (Section 40), Data and Inputs (Section 100), Valuation models (Section 110), and Documentation and Reporting (section 120). The introduction of those sections has resulted in the reallocation of some text to those new sections.**
- Do you find that these additional sections improve the structure and intelligibility of the Standards?**
  - If you disagree, please explain your reasoning.**
  - Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

#### Answer:

- We agree with the changes which align the structure with the General Standards. However, as with the other Asset Standards there is some unnecessary recital of some, but not all, of the applicable requirements in the General Standards. If a requirement in the General Standards is NOT applicable that should be highlighted as an allowable departure, but otherwise the Asset Standard should provide examples of how the requirements of each General Standard may be applied to each particular asset class.
15. **Across the Business Valuation Standards (IVS 200, IVS 210, IVS 220, and IVS 230), the text was streamlined.**
- Do you find that the proposed Exposure Draft includes an appropriate level of detail for valuation professionals?**
  - Do you find that the rephrasing of the Standards to include more direct sentences that emphasise what the valuer “must” or “should” implement to abide by the principles of the IVS is appropriate?**
  - if you disagree, please explain your reasoning.**

- d. **Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

**Answer:**

- a) Yes
  - b) No, see answer to 14. For example, stating that the valuer must comply with the requirements of valuation IVS 101 Scope of Work when valuing a Business or a business interest is superfluous. The Asset Standards are part of the standards and therefore it is a sine qua non that all the General Standards must be followed. The focus should be on examples of how this may be achieved.
  - c) See b)
  - d) Remove the “Musts” and focus on the “Hows”.
16. **In IVS 200 Businesses and Business Interests, several paragraphs (?) on “Scenario Based Methods (SBM)” replaces the current text on “Probability-Weighted Expected Return Method (PWERM)” found in 130.23 to 130.27.**
- a. **Do you agree that this change is appropriate?**
  - b. **If you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

**Answer:** We have no experience of the practical application of either of these methods. However, we have observed that different sectors of the business valuation community use different terms for methods that only have minor differences in the inputs and techniques used. The IVS should focus on globally recognised methods that have broad application and avoid diving into defining or describing applications of those methods that are used in a limited number of markets.

17. **IVS 200 Businesses and Business Interests introduces a new section on Calibration, which is a technique widely used in the valuation of certain assets for specific bases of values, for example, when the intended use of the valuation is financial reporting.**
- a. **Do you agree that the introduction of this section is appropriate?**
  - b. **If you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these Standards.**

**Answer: No.** While we are not familiar with the use of “Calibration” in this context, the principle that the valuer needs to ensure that metrics obtained from prior transactions are updated to reflect either observable factual changes or changes in market sentiment at the valuation date applies across all asset classes and methods. IVS 104 requires professional judgement being used to balance the characteristics of relevant data, including how well the data used reflects market conditions on the valuation date. A short additional paragraph in IVS 105 10 would be sufficient. We see no need for the level of detail or a specific title being given to a principle that should be universal in valuation.

We also note other examples of the misuse of “assumptions” in paragraph 170.07. (see our Comment on IVS 102 50.04). The correct word here should be inputs. To comply with IVS 104 professional judgement must be used in selecting all inputs into a valuation calculation. Making an assumption, i.e. accepting something without investigation or verification, should never be done in relation to an input into a valuation and is contrary to the IVS.

## Financial Instrument Standards

18. **The revised IVS 500 Financial Instruments include requirements on data and inputs incremental to those proposed in IVS 104 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: Yes, but with conditions.** We again point out the repeated references in section 40 “Data and Inputs Overview” to “appropriate data, **assumptions** and adjustments...” This is a further example of “assumptions” being misused, see comments on IVS 102 and IVS 200 above.

19. **The revised IVS 500 Financial Instruments include requirements on valuation models incremental to those proposed in IVS 105 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: Yes.** We note that the previous generic list of model characteristics appearing in IVS 105 is no longer repeated, to be replaced by a short supplemental paragraph specific to Financial Instruments. Similar removal from the Asset Standards of the repetition of provisions in the General Standards is needed throughout the IVS, see also our answer to Q14.

20. **The revised IVS 500 Financial Instruments include requirements on quality controls incremental to those proposed in IVS 107 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: No**

We have previously indicated in our answer to Q11 that we do not consider that the IVSC should be setting standards for Quality Control. It is a matter for those who decide to adopt IVS and when they apply to determine who is responsible for their correct application and what sanctions there should be for non-compliance.

Notwithstanding the above, the provisions in the proposed IVS 500 140 are mainly not “incremental” to IVS 107 but just present the requirements in a different order with slightly different words. For example:

- IVS 500 140.2 repeats IVS 107 10.01 and 20.03
- IVS 500 140.03 repeats IVS 107 20.01
- IVS 500 140.05 repeats IVS 20.04

21. **IVS 500 Financial Instruments include requirements to address the use of artificial intelligence and other technology-based tools incremental to those proposed in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: No.** All the references to artificial intelligence in IVS 500 simply repeat requirements already appearing in IVSs 101, 105 and 106

## Additional Comments

### IVS 300 Plant, Equipment and Infrastructure.

- a) We must repeat our objection to Infrastructure being merged with plant and equipment. Infrastructure is generally used to describe systems for the delivery of services such as power, energy, communication and data, transport pathways (e.g. road and rail), environmental services, water and waste management. All such systems require real estate interests as well as plant and equipment. Indeed, acquiring land, or rights over or under land, is a prerequisite for any infrastructure project.

Another issue that needs to be considered is that in many jurisdictions the provision of infrastructure is subject to significant regulation or regulatory oversight, which can have a fundamental difference on when or how it is valued.

The current IVS 300 makes just one comment that is specific to infrastructure. 50.05 states that for infrastructure, *“selling an asset on a removed (ex-situ) or piecemeal basis may or may not be possible”*. We cannot think of any examples of where infrastructure can be removed from either the land it occupies or the land it serves. Throughout the rest of IVS 300 it is just presumed to be another type of plant and equipment. This has to be incorrect.

While we agree that it may be useful for the IVS to examine providing some guidance on how its principles can be applied to valuing infrastructure, this should stand alone from guidance on either Real Property or Plant & Equipment. It must also consider the extent to which any valuation of infrastructure is affected by any laws and regulations that apply to its ownership, construction and operation in different jurisdictions.

- b) What is meant by the second sentence of 10.02 *“Valuations of PEI must also follow the applicable standard for that type of asset and/or liability (see IVS 400 Real Property)”*. The previous sentence already explains that this standard contains additional requirements and examples applicable to PEI so how can it also be necessary to follow an equivalent standard for another asset class?
- c) We also draw attention to 40.05 which fails to distinguish between assumptions and special assumptions. In the list of examples, a) to e) it is unclear whether the conditions described are current on the valuation date or not. For example:
- if the business is currently operating the P&E, a valuation of the individual items for removal would require the special assumption that production using that P&E had ceased.
  - if the valuation is required assuming the business has closed when it is still operating that would be a special assumption.

As we have previously highlighted, this is another example of the confusion caused by *“assumptions”* and *“special assumptions”* being neither adequately defined nor used consistently throughout the standards.

- d) We note the addition of 40.09 – 40.11 relating to inspections, and agree with this addition as providing more clarity.
- e) We also highlight another example of needless near repetition of the General Standards in 40.13 – 40.15.

- f) With regard to section 50, we have pointed out the problems associated with the terms “premise of value” and “liquidation value” in our comments on IVS 102. This section illustrates the confusion caused by these labels, not least whether so called “liquidation value” is a “premise of value” or a “basis of value” (we consider it is neither).

#### **IVS 400 Real Property Interests**

- a) We strongly disagree with the proposal to merge the current IVS 400 on Real Property Interests with IVS 410 Development Property. The information required, investigations undertaken and the valuation methods used for Development Property are quite distinct from those for valuing other types of real estate. The proposal to merge the two removes clarity between the requirements which relate only to Development Property from those for valuing other real estate. This makes it more difficult for a user to identify all the specific considerations required when valuing Development Property.

Neither has the proposed merger resulted in any overall shortening of the text. Indeed, the proposed merged standard is 23 pages whereas the two current standards take up 22 pages of IVS 2025.

We urge the IVSC to retain the two distinct standards. The IVS 200 series has **four** separate standards relating to different types of asset that may be owned by or be part of a business so there is no inconsistency in having a distinct standard for different types of real property asset which have distinct valuation requirements.

Neither is there any lack of clarity as to what constitutes a Development Property to which the provisions of IVS 410 apply. This is clearly set out the start of the existing standard, and reference is also made to these being in addition to those in IVS 400 (and somewhat bizarrely IVS 300 although we are unaware of valuations being required for plant and equipment in the course of construction).

- b) What is meant by the second sentence of 10.02 “*Valuations of real property interests must also follow the applicable standard for that type of asset and/or liability (see IVS 300 Plant, Equipment and Infrastructure)*”. The previous sentence already explains that this standard contains additional requirements and examples applicable to Real Property so how can it also be necessary to follow an equivalent standard for another asset class?
- c) 40.12 purports to give examples of special assumptions that may be needed when valuing real property. However, examples d), and e) do not describe special assumptions. We have commented on this in other standards, in particular in our comments on IVS 102.60. A special assumption is an assumption that there has been a change in the facts or circumstances on the valuation date of the asset being valued. It is used to illustrate a “what if” scenario. In the examples here:
- d) is only a special assumption if the property is currently contaminated or affected by other environmental risks.
  - e) is only a special assumption if the current economic activity is not going to continue in perpetuity.

We have already recommended slight changes to the explanation of a special assumption and the examples in IVS 102.60.

- d) In 60.04 it states that “the valuer should apply a minimum of two appropriate and recognised methods...”. While sometimes more than one method may be possible, in many cases either one will clearly be more relevant than another or only one method is possible given the nature of the property and the development. The current wording is therefore unrealistic as well as being verbose. We recommend 60.04 be replaced by:

*“When valuing development property, the valuer should consider using more than one method wherever this is possible since there are often insufficient factual or observable inputs for a single method to produce a reliable conclusion. (see IVS 103 para 10.06).”*

- e) 60.05 says the valuer should provide both an “as is” and an “as proposed” (i.e. a special assumption) value). This is inappropriate. The basis or bases required will depend on the purpose for which the valuation is required and should be consistent with the agreed Scope of Work. Since IVS 101 already requires the basis or bases to be covered in the Scope of Work and IVS 102 requires the basis/es and any special assumptions to be appropriate for the intended purpose, we consider this paragraph should be deleted.
- f) The examples of units of comparison in 70.02 includes “megawatts”. While this also highlights the inappropriateness of bundling “infrastructure with plant and equipment, there must be less arcane example of units of output from certain types of specialised property that do not emanate from plant or equipment, such as the number of licenced residents allowed in a care home.
- g) Since no reason is given for any of the proposed changes to IVS 400 or 410, we cannot understand why it is proposed to delete the current section 150 (following new section 130.48) dealing with Rent and the importance of considering the terms of any lease in place when providing a Market Rent or the rental input when using the Income Approach to estimate the Market Value of Real Property. We disagree with this change.
- h) It is proposed to delete from the current 410.100.22 (proposed 400.130.34) the conditions under which it may be appropriate to reflect the cost of engaging a new contractor rather than rely on a building contract in place. We disagree. This example of the circumstances under where this is not only prudent but also necessary is needed. We are aware of a number of high-profile development properties across Europe where lenders and their valuers undertaking revaluations were relying on the prices in contracts agreed before the rapid inflation in prices during 2022 and 2023, even when the borrower was either in dispute with the contractor or where the contractor was insolvent. This resulted in over valuation and lenders not correctly identifying the probability of default or the loss given default as required by banking and accounting regulations.