

QUARTERLY HIGHLIGHT

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BMI Appraisals Limited

Valuation in Uncertainty

Valuation is an important technical ability that touches all asset types and is both a fundamental part of our financial system, establishing values underpinning the accounts of listed and unlisted companies. It is also a key to risk management and decision making for loans and investments. Accounting and valuation are two fundamental areas of standards and professionalism which underpin the whole financial system. It is often that accountants don't have sufficient understanding of the need for professional valuation and valuers don't always have sufficient knowledge of what is needed for financial reporting.

The need for these two professionals to work together is greater in times of uncertainty. Valuation uncertainty is defined as "The possibility that the estimated value may differ from the price that could be obtained in a transfer of the subject asset or liability taking place on the valuation date on the same terms and in the same market." by the International Valuation Standards Council (IVSC). There are still a number of methods which can minimize the level of valuation uncertainty.

Using professionally qualified valuers who perform valuations in accordance with International Valuation Standards will help client's understanding in the current situation in relation to the value of assets.

Moreover, increasing the frequency of valuations to a quarterly or monthly basis will provide a more accurate and advanced view of market fluctuations and facilitate quicker reactions to protect client's interests.

Last but not least, accountants and valuers need to work together closely to provide the most appropriate advice and inputs to financials to ensure accurate decision making and confidence. This will enhance the value of valuation for the benefit of clients and the wider business community.

Should you have any enquiries, please do not hesitate to contact our Managing Director – Dr. Tony Cheng at (852) 2593 9633, our Senior Director – Ms. Joannau Chan at (852) 2593 9634 and our Director - Mr. Marco Sze at (852) 2593 9630. Your enquiries via our portal at www.bmi-appraisals.com or by email to enquiry@bmintelligence.com are also welcome.

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