

# **Principles of Valuation Practice**

**And**

## **Code of Ethics**

Authorized and approved by the Governing Council Meeting held on January 23, 1999.

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### **FOREWORD**

In India where we have now universally accepted the principles of liberal trade and the importance of private enterprise as also the role of market economy, now there is an increasing need for professionally correct evaluation of various tangible and intangible assets. The assets valuation, in fact, everywhere is a major factor in commercial, financial as well as socio economic planning.

As the vocation of assets valuation has developed during past decades from a business occupation into a profession, certain new concepts have emerged and become clearer. The word "asset" now denotes not only the physical objects but also describes legal rights of ownership of tangible or intangible entities. Valuing now encompass three classes of operations, namely,

- (1) The estimation of the cost of producing or replacing physical assets,
- (2) The forecasting of monetary earning power of certain classes of assets,
- (3) The valuation or determination of worth of assets.

Because of the specialized knowledge and abilities required of the valuer which are not possessed by the layman, there has now come to be established a fiduciary (dependent on public confidence) relationship between the valuer and those who rely upon his findings.

The PVAI occupies a unique position amongst the professional valuers, in that, it recognizes and is concerned with all classes of assets: real, personal, tangible, and intangible, including real estate, machinery and equipment, buildings and other structures, furnishings, works of art, natural resources, public utilities, gems and jewellery, investment securities, and so forth. It is also unique in that it recognizes the threefold character of the valuation function.

In recognizing the need for the highest professional competence amongst valuers, the PVAI actively supports recognized institutions of higher learning in their scholastic programs which are designed to provide the necessary academic background to both valuer aspirants and to the qualified professionals who desire to update and broaden their professional skills.

The association has established an Educational Foundation to assist those institutions of higher learning which actively provide scholastic training and research in various valuation disciplines.

The necessity for a set of authoritative principles and a code of professional ethics, broad enough to cover all classes of assets as well as the complexities of the various valuation procedures, is a pressing one.

Violation of any provision or rule of the Code should not give rise to a civil action and should not create any presumption or evidence that a legal duty has been breached nor should it create any special relationship between the valuer or some other person. This Code is designed to provide guidance to valuers and to provide a structure for regulating conduct of members of the PVAI through disciplinary actions. Violations of the Code are not designed or intended to be the basis of any liability.

To meet this need for a comprehensive set of guide posts and for the specific code of ethics in valuation practise, the association has prepared and presents herewith, "The Principles of Valuation Practice and Code of Ethics" of the Practising Valuers Association (India).

#### **PRACTISING VALUERS ASSOCIATION (INDIA)**

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#### **1. INTRODUCTION**

## 1.1 Membership Composition of the PVAI

The PVAI is a professional organization of individuals and corporates. Each of its member who has demonstrated, to the satisfaction of the Association, that he is qualified to appraise one or more of the existing kinds of assets, has been granted the right to use the identification, 'Member of the PVAI' as Promoter Members, Life Members, Ordinary Members, Honorary Members and Student Members as per the constitution approved by the authorities

## 1.2 Definition of the terms "Valuation Practice" and the term "Assets"

1.21 The term valuation practice, as defined by the Association, applies to any of the four following operations,

singly or in combination, these operations being executed within a framework of general principles of technical procedure and personal conduct :

- (1) Determination of the value of assets (the transitive verb determine having the meaning: "to come to a decision concerning, as the result of investigation, reasoning, etc.") ;
- (2) Forecasting of the earning power of assets ;
- (3) Estimation of the cost of : -
  - a) Production of a new asset (production having the meaning: "brought into being by assembly of elements, fabrication, construction, manufacture or natural growth of living things") ;
  - b) Replacement of an existing asset by purchase or production of an equivalent asset ;
  - c) Reproduction of an existing asset by purchase or production of an identical asset.
- (4) Determining non-monetary benefits or characteristics that contribute to value. The rendering of judgments as to age, remaining life, condition, quality, or authenticity of physical assets, amenities: an estimate of the amount of a natural resources, population increase, nature of market, rate of absorption, etc.

1.22 In valuation and in forecasting of the earning power, the word asset is used to describe the rights to the future benefits of something owned or possessed to the exclusion of other persons. The "something owned" may be tangible, intangible or both.

In a cost estimation, the word asset is used to describe the "something owned" without regard to its ownership.

### **1.3 Purpose of Promulgating the Principles of Valuation Practice and Code of Ethics**

The Principles of Valuation Practice and Code of Ethics of the Practising Valuers Association (India) are promulgated to

- 1.31 Inform those who use the services of valuers as to what, in the opinion of Association, constitutes competent and ethical valuation practice ;
- 1.32 Serve as a guide to its own members in achieving competency in valuation practice and in adhering to ethical standards ;
- 1.33 Aid in the accomplishment of the purposes of the Association, which include :
  - (a) Fostering the age of valuation education,
  - (b) Improvement and development of modern valuation techniques,
  - (c) Encouragement of sound professional practices,
  - (d) Establishment of criteria of sound performance for use of employers of staff valuers,
  - (e) Enforcement of ethical conduct and practice by its members ;
- 1.34 Provide means, auxiliary to those already used, for examining candidates who desire admission to membership of the association as Senior Members.

The means to facilitate judging of individual skills, competence, and depth of ethical understanding in valuation practice ;
- 1.35 Epitomize those valuation practices which the experience has found to be effective in protecting the public interests against un-scrupulous exploitation.

## **2. PURPOSES OF VALUATION WORK**

### **2.1 Various Kinds of purposes of Valuation Work**

A valuation is undertaken for one or more of several purposes, namely: to determine the value of a assets; to estimate the cost of producing, acquiring, altering, or completing an asset: to estimate the monetary amount of damages to an asset; and to forecast the monetary earning power of an asset. In specific instances, the work may have additional purposes, such as: the formulation of conclusions and recommendations or the presentations of alternatives (and their consequences) for the client's actions.

### **2.2 Objective Character of the Results of a Valuation Undertaking**

The primary purpose of a monetary valuation, is determination of a numerical result, either as a range or most probable point magnitude, the rupee amount of a value, the rupee amount of an estimated cost, the rupee amount of an estimated earning power. This numerical result is the purpose and is unrelated to the desires, wishes, or needs of the client who engages the valuer to

perform the work. The amount of this figure is independent of what someone desires it to be. All the principles of valuation ethics stem from this central fact.

### **3. VALUER'S PRIMARY DUTY AND RESPONSIBILITY**

The valuer's duty and responsibility, in each subject case, is two fold.

#### **3.1 Valuer's Obligation to Determine and Describe the Apposite (well expressed/ appropriate) Value or Estimated Cost**

First, because there are several kinds of values and several kinds of cost estimates, each of which has a legitimate place as the end point of some class of valuation engagement, it is the valuer's obligation to ascertain which one of these is pertinent to the particular undertaking. In meeting this obligation, the valuer may consider his client's instructions and/or may obtain legal or other professional advice, but the designating of the apposite value or estimated cost is the valuer's sole responsibility. Also, it is his obligation, in this connection, fully to explain and describe what is meant by the particular value or cost estimate which he has determined, in order to obviate misunderstanding and to prevent unwitting or deliberate misapplication.

#### **3.2 Valuer's Obligation to Determine Numerical Results with Whatever Degree of Accuracy which the Particular purposes of the Valuation Necessitate**

It is the valuer's obligation to determine the appropriate and applicable numerical results with as high a degree of accuracy as the particular purposes of the valuation necessitate.

#### **3.3 Valuer's Obligation to Avoid Giving a False Numerical Result**

Obviously, the valuer has every obligation to avoid giving a false figure. The numerical result of a valuation could be false for one of the two reasons: it could be false because it is a grossly inaccurate estimate of the apposite value or cost estimate, or it could be false, even though numerically accurate, because it is an estimate of an inapposite value.

#### **3.4 Valuer's Obligation to Competency and Ethical Practice.**

In order to meet his obligations, the valuer must be competent in his field. This competency he attains by education, training, study, practice, and experience. He must also recognize, understand, and abide by those ethical principles that are interwoven with and are an essential part of truly professional practice.

#### **3.5 Professional Character of Valuation Practice**

The members of the Association are engaged in a professional activity. A profession is based on an organized body of specific knowledge - knowledge not possessed by laymen. It is of such a character that it requires a high degree of intelligence and considerable expenditure of time and effort to acquire it and to become adept (skilful) in its application. A valuer's client relies on the

valuer's professional knowledge and abilities to the extent it may be necessary to accomplish the purposes of the work. Members of the Association recognize this relationship.

### **3.6 Valuer's Responsibility to Third Parties**

Under certain specific circumstances a valuation report may be given by a client to a third party for their use. If the purpose of the valuation includes a specific use by a third party, the third party has a right to rely on the validity and objectivity of the valuer's findings as regards the specific stated purpose and intended use for which the valuation was originally made. Members of the Association recognize their responsibility to those parties, other than the client, who may be specifically entitled to make use of their reports.

## **4. VALUER'S OBLIGATION TO HIS CLIENT**

The valuer's primary obligation to his client is to reach complete, accurate, and pertinent conclusions and numerical results regardless of the client's wishes or instructions in this regard. The relationship between client and valuer is not one of principal and agent. However, the valuer's obligation to his client go somewhat beyond this primary obligation. These secondary obligations are set forth in the following sections.

### **4.1 Confidential Character of a Valuation Engagement**

The very fact that a valuer has been employed to make a valuation, is itself a confidential matter. In some instances, the very fact of such employment may be information that a client, whether private or a public agency, prefers for valid reasons, to keep confidential. Knowledge by outsiders of the fact of employment of a valuer may jeopardize a client's proposed enterprise or transaction. Consequently, it is improper for the valuer to disclose the fact of his engagement, unless the client approves of the disclosure or clearly has no interest in keeping the fact of the engagement confidential, or unless the valuer is required by due process of law to disclose the fact of his engagement.

In the absence of an express agreement to the contrary, the identifiable contents of a valuation report are the assets of the valuer's client or employer and, ethically, cannot be submitted to any professional Association as evidence of professional qualifications, and cannot be published in any identifiable form without the client's or employer's consent.

### **4.2 Valuer's Obligation to Give Competent Service**

It is not proper for a valuer to accept an engagement to make a valuation of assets of a type he is not qualified to value or in a field outside his Association's membership classification, unless (a) he fully acquaints the client with the limitations of his qualifications or (b) he associates himself with another valuer or valuers who possess the required qualifications.

As a corollary to the above principle, the Association declares that it is unethical for a valuer to claim or imply that he has professional qualifications which he does not possess or to state his qualifications in a form which may be subject to erroneous interpretation.

### **4.3 Valuer's Obligations Relative to Giving Testimony**

When a valuer is engaged by one of the parties in a controversy, it is unethical for the valuer to suppress any facts, data, or opinions which are adverse to the case his client is trying to establish; or to over-emphasize any facts, data, or opinions which are favorable to his client's case, or in any other particulars to become an advocate. It is the valuer's obligation to present the data, analysis, and value without bias regardless of the effect of such unbiased presentation on his client's case. Advocacy affects adversely to establish and maintain trust and confidence in the result of professional valuation.

### **4.4 Valuer's Obligation to Document Valuation Testimony**

When a member accepts employment to make a valuation, or to testify as to the value of assets before a court of law or other judicial or quasi-judicial forums, the valuer shall, before testifying, complete an adequate written valuation report, or have complete documentation and substantiation available in his files.

### **4.5 Valuer's Obligation Relative to Serving More Than One Client in the Same Matter**

When two or more potential clients seek a valuers' services with respect to the same assets or with respect to the same legal action, the valuer may not properly serve more than one party, except with the consent of all parties.

### **4.6 Agreements and Contracts for Valuation Services**

It is good practice to have a written contract, or at least a clear oral agreement, between valuer and client, covering objectives and scope of work, time of delivery of report, and amount of fees. In certain circumstances, it may be desirable to include in the valuation-service contract a statement covering the objective character of valuation findings and a statement that the valuer cannot act as an advocate or a negotiator.

## **5. VALUER'S OBLIGATION TO OTHER VALUERS AND TO THE ASSOCIATION**

### **5.1 Protection of Professional Reputation of Other Valuers**

The valuer has an obligation to protect the professional reputation of all valuers (whether members of the Association or not) who subscribe to and practice in accordance with the Principles of Valuation Practice of the Association. The Association declares that it is unethical for a valuer to injure, or attempt to injure, by false or malicious statements or by innuendo the professional reputation or prospects of any valuer.

### **5.2 Valuer's Obligation Relative to Association's Disciplinary Actions**

A member of the association, having knowledge of an act by another member which, in his opinion, is in violation of the ethical principles incorporated in the Principles of Valuation

Practice and Code of Ethics of the Association, has the obligation to report the matter to the association.

It is the valuer's obligation to cooperate with the Association and its officers in all matters, including investigation, censure, discipline, or dismissal of members who are charged with violation of the Principles of Valuation Practice and Code of Ethics of the Association.

## **6. VALUATION METHODS AND PRACTICES**

### **6.1 Various Kinds of Values**

The Association recognizes that different kinds of assets may have different kinds of values depending on the particular attendant circumstances and, further, that there are both basic and subordinate kinds of values.

Good professional practice requires that the valuer describe in sufficient detail, in each case, the nature and meaning of the specific value that he is determining.

### **6.2 Selection of Valuation Method**

The procedure and method for determining the particular value in question is a matter for the valuer himself to determine; he cannot be held responsible for the result unless he has a free hand in selecting the process by which that result is to be obtained. However, good valuation practice requires that the method selected be adequate for the purpose, embrace considerations of all the factors that have a bearing on the value, and be presented in a clear and logical manner.

### **6.3 Fractional Valuations**

Certain classes of assets (real estate, business enterprise, collections of goods/ materials, etc.) can be considered as made up of components. If an element is considered as an integrated part of the whole asset, its value, in general, is different from the value the same element has if considered as a fraction separated from the whole asset.

A valuation of an element of a whole asset, considered by itself and ignoring its relation to the rest of the whole asset, is called a "fractional valuation." There are legitimate uses for fractional valuations (valuation of buildings for fire insurance purposes; valuation to determine the value of land as if cleared of existing improvements: etc.) but good practice requires that a fractional valuation be labeled as such and that the limitations on its use by the client and/or third parties be clearly stated.

### **6.4 Contingent and Limiting Conditions Affecting a Valuation**

In many instances the validity of the valuer's conclusions as to the value of a subject asset is contingent upon the validity of statements, information, and/or data upon which he has relied, supplied to him by member of other professions or secured by him from official sources. Such material may be obtained, for example, from architects, engineers, lawyers, accountants,

government officials, government agencies, etc. It is proper for the valuer to rely upon and use such material provided (1) he states in his report that he has done so, (2) he stands ready to make his sources and/or the material itself available for any required verification, and (3) he does not pass to others the responsibility for matters that are, or should be, within the scope of his own professional knowledge.

Standard valuation practice requires that the valuer state any other contingent or limiting conditions which affect the valuation, such as, for example, that the value is contingent upon the completion of projected public or private improvements, etc.

### **6.5 Hypothetical Valuations**

A hypothetical valuation is a valuation based on assumed conditions which are contrary to fact or which are improbable of realization or consummation. The Association takes the position that there are legitimate uses for some hypothetical valuations, but that it is improper and unethical to issue a hypothetical valuation report unless (1) the value is clearly labeled as hypothetical (2) the legitimate purpose for which the valuation was made is stated, and (3) the conditions which were assumed contrary to fact are set forth.

A hypothetical valuation showing the value of a company which it is proposed to form by merging two existing companies would be deemed to serve a legitimate purpose.

### **6.6 Valuations In Which Access to Pertinent Data is Denied**

Situations sometimes occur in which data that the valuer considers pertinent to the making of a valid valuation are in existence but access to them is denied to the valuer, either by the client or some other party. In such a case, the valuer, at his option, may properly decline to carry out the assignment. In the event he considers such data essential to the making of a valid valuation, he may not properly proceed with the assignment.

### **6.7 Ranges of Value or Estimated Cost and Reliability Estimates**

Some valuation engagements call for the determination of a probable range of values or estimated costs, either with or without a collateral statement of the most probable figure within that range. It is entirely within the scope of good valuation practice to give a range of values or estimated costs.

In as much as the valuer's determination of the amount of a value or an estimated cost cannot, by its very nature, be exact, it is good valuation practice to append to such numerical results a statement as to the degree of reliability to be accorded thereto. Such reliability estimates are usually expressed as plus and minus percentages.

### **6.8 Values or Estimated Costs Under Different Hypotheses**

The objective of a valuation undertaking may be the determination of different values or different cost estimates based on different hypotheses. It is entirely within the scope of good

valuation practice to give such differing numerical results, provided the valuer adheres to the principles set forth earlier. (Refer Sec. 3.1 and Sec. 6.5)

### **6.9 Inspection, Investigation, Analysis, and Description of Subject Asset**

The valuation of assets is a procedure based on an analysis of all the characteristics of the assets which contribute to or detract from its value; good valuation practice requires that the valuer's inspection, investigation, and study be thorough enough to uncover all of the pertinent characteristics.

Good valuation practice requires that the description of the asset, tangible or intangible, which is the subject of a valuation, cover adequately

- a. identification of the asset
- b. statement of the legal rights and restrictions comprised in the ownership, and
- c. the characteristics of the asset which contribute to or detract from its value.

In the case of land and prospective real estate improvements, identification is particularly important in order to prevent unscrupulous persons from representing the valuation as applying to substituted inferior assets.

The physical condition of land plots or real estate is an element contributing to or detracting from their value; good valuation practice requires adequate inspection and investigation to determine it.

### **6.10 Collaboration Between Valuers and Utilization of the Services of Members of Other Professions**

Collaboration between valuers is desirable, in some situations, to expedite the completion of work and, in other situations, to obtain the benefits of combined judgment or combined data. Such collaboration is entirely proper providing all the collaborators sign a joint report or, if there be dissenting opinions, providing these dissenting opinions are made a part of the report.

In some cases, the nature of the valuation undertaking calls for special professional knowledge and abilities in addition to those possessed by the valuer. In such an instance, it is both necessary and proper for the valuer to employ other valuers and/or members of other professions to obtain data and derive conclusions relative to specific parts of the work. The principal valuer builds his final conclusions, in part, on these contributions, taking responsibility for the final result but subject to the validity of the underlying or constituent contributions.

## **7. UNETHICAL AND UNPROFESSIONAL VALUATION PRACTICES**

The principles of valuation practice recorded hereinabove relate to the primary objective of a valuation undertaking, namely the determination of the apposite numerical result with that degree of accuracy required by the attendant circumstances, whereas the principles recorded hereinafter relate to the establishment and maintenance of the confidence of clients and other

interested parties in the validity of the results of valuation undertakings. To this end, certain practices are declared by the Association to be unethical and unprofessional.

### **7.1 Contingent Fees**

If a valuer were to accept an engagement for which the amount of his compensation is contingent upon the amount of an award in asset settlement or a court action where his services are employed; or is contingent upon the amount of a tax reduction obtained by a client where his services are used; or is contingent upon the consummation of the sale or financing of a asset in connection with which his services are utilized or is contingent upon his reaching any finding or conclusion specified by his client; then, anyone considering using the results of the valuers undertaking might well suspect that these results were biased and self-serving and therefore, invalid. Such suspicion would militate against the establishment and maintenance of trust and confidence in the results of valuation work. Generally; therefore the Association declares that the contracting for or acceptance of any such contingent fee is unethical and unprofessional.

As a corollary to the above principle relative to contingent fees. The Association declares that it is unethical and unprofessional for a valuer (a) to contract for or accept compensation for valuation services in the form of a commission, rebate, division of brokerage commissions, or any similar forms and (b) to receive or pay finder's or referral fees.

### **7.2 Percentage Fees**

The Association takes the position that it is unprofessional and unethical for the valuer to contract to do work for a fixed percentage of the amount of value, or of the estimated cost (as the case may be) which he determines at the conclusion of his work, except, when in the law and when insisted by the client.

### **7.3 Disinterested Valuations**

Anyone using a valuer with an interest or a contemplated future interest in the assets valued, might well suspect that the report was biased and self-serving and, therefore, that the findings were invalid. Such suspicion tends to break down trust and confidence in the results of valuation work, generally.

Interests which a valuer may have in a asset to be valued, include ownership of the subject asset: acting, or having some expectation of acting, as agent in the purchase, sale, or financing of the subject asset; and managing, or have some expectation of managing, the subject asset. Such interests are particularly apt to exist if the valuer, while engaged in professional valuation practice, is also engaged in a related retail business (real estate, jewellery, furs, antiques, fine arts, etc.).

The Association declares that, subject to the provision for disclosure given in the following paragraph, it is unethical and unprofessional for a valuer to accept an assignment to value a asset in which he has an interest or a contemplated future interest.

However, if a prospective client, after full disclosure by the valuer of his present or contemplated future interest in the subject asset, still desires to have the valuer do the work, the latter may properly accept the engagement provided he discloses the nature and extent of his interest in his valuation report.

#### **7.4 Responsibility Connected with Signatures to Valuation Reports**

The user of a valuation report, before placing reliance on its conclusions, is entitled to assume that the party signing the report is responsible for the findings, either because he did the work himself or because the work was done under his supervision.

In cases where two or more valuers are employed to prepare a joint report, the user thereof is entitled to assume that, if all of them sign it, they are jointly and severally responsible for the validity of all of the findings therein; and, if all do not sign, he has a right to know what the dissenting opinions are.

To implement these principles, the Association declares that it is unethical (a) to misrepresent who made a valuation by appending the signature of any person who neither did the work himself nor had the work done under his supervision, (b) in the case of a joint report to omit any signatures or any dissenting opinions, (c) in case two or more valuers have collaborated in a valuation undertaking, for them, or any of them, to issue separate valuation reports, and (d) in case two or more valuers have been engaged by a single client to make independent valuations of the same asset, for them to collaborate or consult with one another or make use of each other's findings or figures.

A valuation firm or corporation may properly use a corporate signature with the signature of a responsible officer thereof. But the person who actually did the valuation for the corporation must sign the corporate valuation report **or the report must acknowledge the person who actually made the valuation.**

#### **7.5 Advocacy**

If a valuer, in the writing of a report or in giving an exposition of it before third parties or in giving testimony in a court action suppresses or minimizes any facts, data, or opinions which, if fully stated, might militate against the accomplishment of his client's objective or, if he adds any irrelevant data or unwarranted favorable opinions or places an improper emphasis on any relevant facts for the purpose of aiding his client in accomplishing his objective, he is, in the opinion of the Association, an advocate. Advocacy, as here described, affects adversely the establishment and maintenance of trust and confidence in the results of professional valuation practice and the Association declares that it is unethical and unprofessional.

#### **7.6 Unconsidered Opinions and Preliminary Reports**

If a valuer gives an opinion as to the value, earning power, or estimated cost of a asset without having ascertained and weighed all of the pertinent facts, such opinion, except by an extraordinary coincidence, will be inaccurate. The giving of such offhand opinions tends to be

little the importance of inspection, investigation, and analysis in valuation procedure and lessens the confidence with which the results of good valuation practice are received, and therefore the Association declares the giving of hasty and unconsidered opinions to be **unprofessional**.

If a valuer makes a preliminary report without including a statement to the effect that it is preliminary and that the figures given are subject to refinement or change when the final report is completed, there is the possibility that some user of the report, being under the impression that it is a final and completed report, will accord the figures a degree of accuracy and reliability they do not possess. The results of such misplaced confidence could be damaging to the reputation of professional valuers, generally, as well as of the valuer concerned. To obviate this possibility, the Association declares it to be **unprofessional valuation practice to omit a proper limiting and qualifying statement in a preliminary report**. (N.B. It is desirable practice to give a range of assessed value)

### **7.7 Advertising and Solicitation**

It is not unethical to advertise the availability of valuation services. It is unethical to use any inaccurate, misleading, false or deceptive claim, promise or representation in connection with any assignment. These unethical practices are considered by the Association to be detrimental to the establishment and maintenance of public confidence in the results of valuation work. The Association declares that such practices on the part of a valuer constitute unethical and unprofessional conduct. It would be unethical to do the following:

- (a) Misrepresent in any way one's connection or affiliation with the **PVAI** or any other organization;
- (b) Misrepresent one's background, education, training or expertise;
- (c) Misrepresent services available or a valuer's prior or current service to any client, or identify any client without the express written permission of such client to be identified in advertising,
- (d) Represent, guarantee or imply that a particular valuation or estimate of value or result of an engagement will be tailored or adjusted to any particular use or conclusion other than that a valuation will be based upon an honest and accurate adherence to the Principles of Valuation Practice.

### **7.8 Causes for Disciplinary Action by the Association**

Disciplinary action against the members of the Association shall be taken in the event of violations of specific provisions of the Association's Constitution and Bylaws or of its Principles of Valuation Practice and the Code of Ethics incorporated therein. Such actions are under of jurisdiction of the Governing Council. Violations may fall under six categories:

- (1) Deviations from standard valuation practice
- (2) Failure to fulfill obligations and responsibilities

(3) Unprofessional conduct

(4) Unethical conduct

(5) Conviction in any Court

After due investigation, the Association may take action in the form of suggestion, censure, suspension, or expulsion, in the last event the member will be required to surrender his certificate and other evidences.

## **8. VALUATION REPORTS**

### **8.1 Description of the Asset Which Is the Subject of a Valuation Report**

It is required that the asset with which a valuation report is concerned, whether tangible, intangible, real, or personal, be fully described therein, the elements of such description being: (a) identification, (b) legal rights and restrictions encompassed in the ownership, where these are not obvious, (c) value characteristics, and (d) physical condition, where applicable.

### **8.2 Statement of the purposes of the Valuation Work**

It is required that a valuation report include a statement of the purposes for which the work was performed: to determine a value, to estimate a cost, to forecast an earning power, to ascertain certain facts to reach conclusions and make recommendations for action in specified matters, etc.

It is required that the meaning attached by the valuer to any specific kind of value or estimated cost which is the purpose of the valuation undertaking be described and explained in the valuation report.

It is required that a valuation report include a statement as to the date which applies to the value estimate, cost estimate or forecast of income.

When appropriate, an analysis of the highest and the best use of the asset should be included in the investigation and study.

### **8.3 Statement of the Contingent and Limiting Conditions to Which the Valuation Findings Are Subject**

It is required that statements, information, and/or data, which were obtained by the valuer from members of other professions, or official or other presumably reliable sources, and the validity of which affects the valuation findings, be summarized or stated in full in the valuation report and the sources given, so that verification desired by any user of the report may be accomplished.

If a valuation is a hypothetical one, it is required that it be labeled as hypothetical, that the reason a hypothetical valuation was made be stated, and that the assumed hypothetical conditions be set forth.

If a valuation is a fractional valuation, it is required that it be labeled as fractional and that the limitations on the use of the reported figure be stated.

If a preliminary valuation report is issued, namely, one in which the figures are subject to refinement or change, it is required that the report be labeled as preliminary and that the limitation on its use be stated.

#### **8.4 Description and Explanation in the Valuation Report of the Valuation Method Used**

It is required that the method selected by the valuer as applicable to the subject valuation undertaking be described and explained in the valuation report.

#### **8.5 Statement of the Valuer's Disinterestedness**

It is required that the valuer include a statement in his valuation report that he has no present or contemplated future interest in the subject asset or any other interest which might tend to prevent his making a fair and unbiased valuation or, if he does have such an interest, to set forth fully the nature and extent of that interest.

#### **8.6 Valuers Responsibility to Communicate Each Analysis, Opinion and Conclusion in a Manner that is not Misleading.**

The valuer should state in each report "I hereby certify that, to the best of my knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Principles of Valuation Practice and Code of Ethics of the Practising Valuers Association (India)"

#### **8.7 Signatures to Valuation Reports and the Inclusion of Dissenting Opinions**

It is required that the party who makes the valuation or who has the valuation made under his supervision sign the valuation report.

It is required that all collaborating valuers, issuing a joint report, who agree with the findings, sign the report, and that any collaborating valuer who disagrees with any or all of the findings of the others, prepare, sign, and include in the valuation report his dissenting opinion.

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