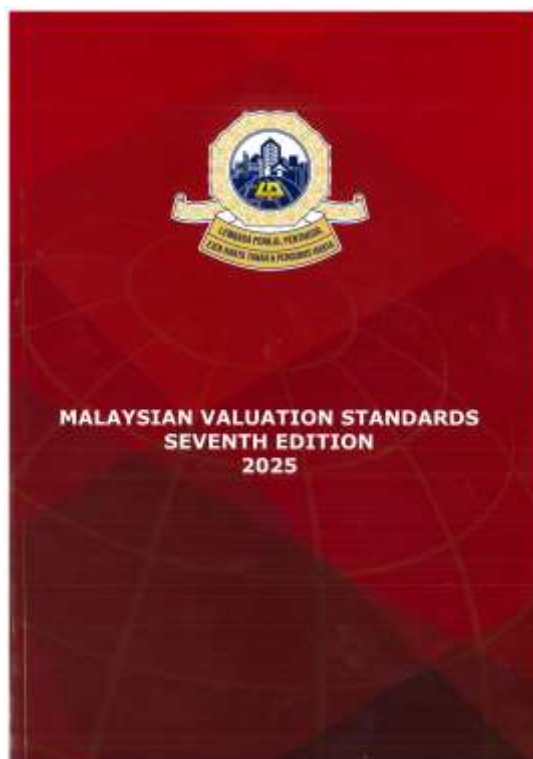




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Theme :
Valuation Challenges :
Innovating With Technology

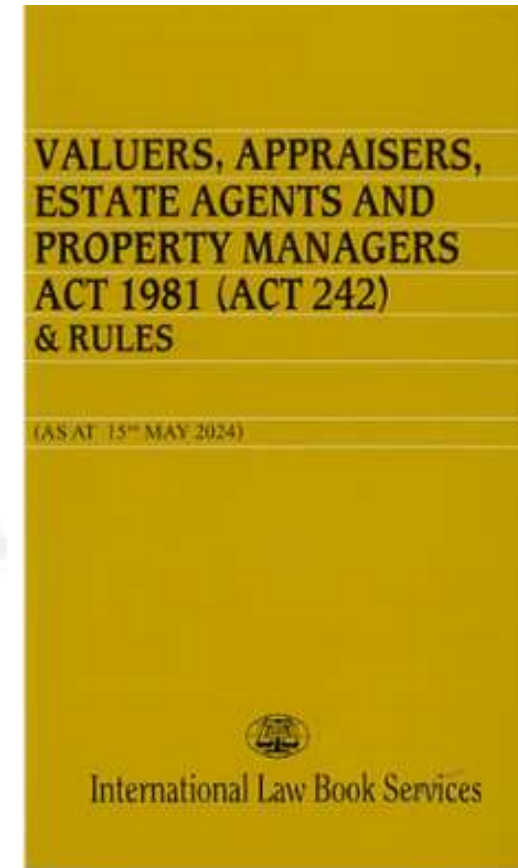


PAPER:
THE LATEST MALAYSIAN
VALUATION STANDARDS
INCLUDING THE BUSINESS
VALUATION GUIDANCE NOTES



by Elvin Fernandez, PPRISM, FRISM, FRICS, ICVS
Malaysia

Flowing down from the Common Law System in Malaysia and its Constitution, the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (Act 242, as amended) crafts the regulatory framework for the valuation profession in Malaysia.



The Board of Valuers, Appraisers, Estate Agents and Property Managers was set up to oversee the profession and has the following functions as per Section 10 of the Act:-



- a) to keep and maintain the Register, Register of Probationers and Register of Firms;
- b) to approve or reject applications for registration under this Act or to approve any such application subject to such conditions and restrictions as it may deem fit to impose;
- c) to hold disciplinary proceedings in accordance with Part VII;
- d) to hold or cause to be held examinations of persons who desire to qualify themselves for registration under this Act;
- e) to prescribe from time to time with the approval of the Minister the fees payable under this Act including the scales of fees to be charged by valuers, appraisers, estate agents or property managers for professional advice or services rendered;

- f) to hear and determine disputes relating to the professional conduct or ethics of valuers, appraisers, estate agents and property managers or to appoint a committee or arbitrator to hear and determine such disputes;
- g) to determine and regulate the professional conduct and ethics of valuers, appraisers, estate agents and property managers and to set standards of professional practice;
- h) to award scholarships to persons who undertake professional courses in valuation, estate agency or property management, or any related discipline and to award grants or donations for the promotion of the profession;
(Part III refers to the Board and Part VIII refers to disciplinary and other proceedings)

- (ha) to **appoint members** of the Board to sit on any board, committee or body formed for any purpose relating to the profession or to any related profession;
- (hb) to **borrow** or in any manner raise money for the purchase or lease of any immovable property required by the Board and to dispose of or deal with such property as the Board deems fit;
- (hc) to prescribe the rules concerning the taking out of professional indemnity insurance for valuers, appraisers, estate agents and property managers against any class of professional liability;

- (hd) to prescribe standards, directives, circulars or guidelines to carry out the provisions of Part III to Part VIII;
(Part III refers to the Board and Part VIII refers to disciplinary and other proceedings)
- (he) to hold in trust the monies in a dispute between a registered valuer, appraiser, estate agent or property manager, and a client or third party in a contract for valuation, appraisal, estate agency or property management services, whenever the Board deems necessary;
- (i) generally, to do all such acts, matters and things as are necessary to carry out the provisions of Part III to Part VIII.



THE MALAYSIAN VALUATION STANDARDS (MVS) SEVENTH EDITION 2025

Issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers

MVS w.e.f. 1 June 2025 (mandatory for all Registered Valuers)

The Standards are subsidiary legislation

DEFINITIONS, GENERAL VALUATION CONCEPTS AND PRINCIPLES

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AND CONFLICTS OF INTEREST

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LIMITING CONDITIONS

Business Valuations do not come under the Valuers, Appraisers, Estate Agents and Property Managers Act 1981. But many Registered Valuers are Certified Business Valuers of the Business Valuers Association Malaysia (BVAM). To enable them to better practise business valuations the Board, has published these guidelines.

INTRODUCTION

- ❑ MVS is **subsidiary legislation** - The primary legislation is the Valuers, Appraisers, Estate Agents And Property Managers Act (Act 242).
- ❑ Recognises valuation principles as enunciated by IVS, but includes **rules-based standards** as well for the Board's better enforcement of MVS.
- ❑ Registered Valuers are required to also use **professional judgement** and **experience**.
- ❑ The Seventh Edition is effective from **1 June 2025**.
- ❑ The MVS should not be taken to be exhaustive of all conceivable situations that may arise in practice - see the Introduction.

INTRODUCTION

- ❑ Departures must be disclosed and explained.
- ❑ Under the Act (Act 242) and apart from the Standards there are the Valuers, Appraisers, Estate Agents And Property Managers **Rules**.
- ❑ Part IX of the Rules - is about Code of Conduct and Ethics. For example, **Rule 64** says: A registered valuer or appraiser who **acts as an estate agent for a vendor to a transaction should not subsequently value the property** concerned for the purchaser.
- ❑ Rule 73 – the Valuer may refer to the Board any act or omission of a registered valuer or appraiser coming under his notice which may appear to bring discredit to the profession.

SELECTED DEFINITIONS

dreamstime.

Additional Assumptions

Assumptions which a Valuer makes under specific instructions from the client, and which although **not realised in the market as yet**, is reasonable and likely. Examples of additional assumptions in common use include:

- ❖ an assumption that a building is completed, when in fact it is not.
- ❖ an assumption of a planning permission which is likely, but not obtained, as yet.

(In the International Valuation Standards 2025 (IVS) and the RICS Valuation – Global Standards (the 'Red Book') 2017, this is generally referred to as "**Special Assumptions**").

"As Is" Value

Value of the property as it exists physically, legally in the prevailing economic condition on the valuation date. It excludes any potential use of the property outside its current physical condition, use, and zoning.

Automated Valuation Model (AVM)

A type of model that provides an automated calculation for a specified asset at a specified date, using an algorithm or other calculation techniques without the Valuer applying professional judgement over the model, including assessing, and selecting inputs or reviewing outputs.

IVS 105 Valuation Models – page 71 – “No model without the valuer applying professional judgement, for example an automated valuation model (AVM) can produce an IVS – compliant valuation”.

"Designated Assistant"

A person who is employed on a full-time basis by a firm registered with the Board to carry out valuations and who is under the supervision of a Valuer. The Designated Assistant must be a person who has been carrying out relevant property inspections for not less than three months.

Under the Act a firm means a body corporate; a partnership or a sole proprietorship. And it could also be a firm that practices valuation and property consultancy as well as estate agency and property management or qualified to only practise estate agency or property management.

"Existing Use Value"

Value of an asset in its existing use (or use as defined in the Document of Title and/or as approved under the applicable Planning Laws) with the added assumption that the use will continue in perpetuity or until the current land tenure of the asset. The current / existing use may be, but is not necessarily, also the highest and best use. (in Malaysia this is important because outside the cities and towns there are plantation lands (agricultural) that may have to be valued based purely on its existing use, and at the same time that land can have a market value over and above the existing use value based on the degree of development potentiality).

"Fair Value"

International Financial Reporting Standards 13 defines "Fair Value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

"Valuation Model"

A quantitative implementation of a method in whole or in part that converts inputs into outputs used in the development of value.

GENERAL VALUATION CONCEPTS AND PRINCIPLES

INTRODUCTION

The General Valuation Concepts and Principles based on the International Valuation Standards 2025 (IVS) provides an overview of fundamentals that are particularly important to the understanding and application of the MVS and shall apply to all valuations carried out by Valuers.

HIGHEST AND BEST USE

- (a) Highest and Best Use is a Premise of Value which assumes that the asset is put to a use that maximises its potential or potentialities, either in continuation of its existing use or for some other alternative use, assuming that the use is **physically possible, legally permissible** and **financially feasible** and having regard to environment, social and governance (ESG) considerations. This is determined by what a typical market participant would have in mind for the asset when formulating the price that the market participant would be willing to bid at.

(b) The Highest and Best Use of an asset on a stand-alone basis may be different from the highest and best use as part of a combined group of assets, where its contribution to the overall enhancement or diminution in value of the group must be considered.

(c) The determination of the Highest and Best Use involves considerations of the following: -

- (i) Establishing whether the use is physically possible, having regard to what would be considered reasonable by market participants.
- (ii) Establishing whether the use is legally permissible, and if there are any legal restrictions on the use of the asset, e.g. development planning/zoning parameters. Further consideration to be given to forthcoming changes and/or the possibility that such legal provisions/restrictions may be subject to change.

(iii) Determining that the use is financially feasible by taking into account whether the use that is physically possible and legally permissible will generate sufficient returns to a typical market participant, after taking into account the costs of effecting change to that new use, over and above the return on the existing use over the period to fully realise that new use, and considering that market conditions could be subject to change.

MVS 1 - QUALIFICATIONS OF VALUERS AND CONFLICTS OF INTEREST

1.1.1 Only Registered Valuers shall carry out valuations and provide such service for a fee.

1.2.2 A Valuer must not act for two or more parties in the same matter, except with the written consent of those concerned.

1.2.4 Cannot act as Valuer if he or **firm** is involved in estate agency **within one (1) year** of the completion of the sale or purchase.

1.2.5 A Valuer engaged in property management must be fully transparent and disclose all relevant facts on his scope of responsibility with his client.

1.2.6 The Valuer must disclose any past, present or foreseeable future relationship.

1.3 EXPLANATIONS

1.3.1 Test of who have sufficient knowledge, skill and expertise to complete the valuation competently can carry out valuations.

1.3.2 Test of whether an individual is appropriately qualified to accept responsibility for a valuation combines:

- (a) academic/professional qualifications
- (b) membership of a professional body
- (c) practical experience
- (d) local, national, international knowledge
- (e) compliance with laws
- (f) compliance with Board's laws and rules

For foreign properties the Valuer should be assisted by Valuers or other professionals or experts.

MVS 2 - CONDITIONS OF ENGAGEMENT

2.1.3 A Valuer must ensure

- (a) necessary qualifications
- (b) appropriate expertise
- (c) "Independent Valuer";
- (d) no conflict of interest; and
- (e) sufficient current local, national, and international
(as appropriate) knowledge of the particular market

MVS 3 - PURPOSES OF VALUATION

3.2.1 The purpose must be clearly stated.

MVS 4 – MARKET VALUE BASIS OF VALUATION

4.3.1 Market Value is the **estimated amount** for which **an asset or liability should exchange on the valuation date** between a willing buyer and a willing seller **in an arm's length transaction**, **after proper marketing** and **where the parties had each acted knowledgeably, prudently** and **without compulsion**.

Strictly speaking all of these elements must apply to each comparable that you choose for that comparable to represent market value – and then the comparable must be adjusted for dissimilarities between each comparable and the subject property.

4.3.2 (g) “after property marketing” means that the asset has been exposed to the market in the most appropriate manner to affect its disposal.

In a court case where the Comparison Approach (or Market Approach) is used the focus can be on whether this is properly done. The Board in its deliberations for disciplinary cases should also focus on this.

MVS 5 – BASIS OF VALUE OTHER THAN MARKET VALUE

5.1.4 Premise of Value - describes the circumstances of how an asset or liability is used.

5.2.3 The Valuer shall clearly distinguish that the valuation is not a Market Value estimate if the assignment is on a Basis of Value other than Market Value – for example Existing Use Value (e.g., plantations for plantation companies in Bursa Malaysia)

5.3.3 Premises of Value commonly used in Bases of Value include the following:-

- Highest and Best Use;
- Current/Existing Use Value;
- Going Concern Value;
- Orderly Liquidation, and
- Forced Sale Value.

MVS 5 – BASIS OF VALUE OTHER THAN MARKET VALUE

5.5..3 (e) Forced Sale Value - it is generally not easily predictable by a Valuer because of the nature and extent of subjective and conjectural assumptions that must be made in formulating such an opinion...".

Marketability Factor – this is not stated in MVS but usually required by bankers in Malaysia based on a 1-10 scoring.

MVS 6 – INSPECTION AND INVESTIGATION

6.2.1 The Valuer or his Designated Assistant must carry out a proper inspection and referencing.

6.2.2 (d) The Valuer is not expected to undertake a structural surveybut must draw attention to any visible major defects.

6.2.2 (h) The “Uniform Method of Measurement of Buildings” issued by the Royal Institution of Surveyors Malaysia shall be used.

6.2.2 (j) The Valuer must ascertain the relevant title details of the asset/property.

MVS 6 – INSPECTION AND INVESTIGATION

6.2.2 (l) Where the title details of the asset/property to be valued are not maintained, kept or are not available at the Land Offices or Registries of Title, the source of such details should be identified.

6.2.3 For Update Valuations (MVS 13) - discretion on whether or not to inspect. Where no inspection is carried out, the Valuer must disclose how the state and condition of the property was determined and/or the assumptions adopted for the update valuation.

MVS 7 – APPROACHES TO VALUATION

7.1.6 – This is an important standard for the determination of market value - There is a distinct difference when valuations that are carried out with the objective of arriving at the Market Value of an asset/property and bases other than Market Value such as Investment Value or Worth. For Market Value assessments, all inputs, notwithstanding the approach, must be market derived or acceptable proxies, and this includes capitalisation and discount rates in the case of the Income Approach.

The equivalent of this can be found in IVS 102 – Bases of Value Appendix A10.05 and A10.06 – see photos below.

MVS 7 – APPROACHES TO VALUATION

7.2.1.1 (c) The heterogeneous nature of many assets/properties means that it is often not possible to find market evidence of transactions involving identical or similar assets/properties.

7.2.1.1 (j) The values derived after adjustments for dissimilarities of the respective comparables used should neither be averaged nor weighted to form the final value of the subject property. The Valuer should reconcile the adjusted values of the comparables and express his opinion of value on the most comparable adjusted value(s) and based on his professional judgement and experience.

7.2.1.4 When other approaches or variations of and to the above stated approaches or methods are applied these must be shown in full and explained. The data used in the valuation must be substantiated by evidences compiled, verified, analysed and kept by the Valuer.

MVS 7 – APPROACHES TO VALUATION

7.2.2.3 on reconciliation - If more than one valuation approach has been used, the Valuer should include all the approaches and the values derived therefrom should neither be averaged nor weighted to form the final value of the asset/property. The Valuer should reconcile his opinion of value of the asset/property based on his professional judgement and experience.

7.3.4 "...when a particular model is used to analyse market transactions to derive market inputs, the same model must be used to arrive at the market value of the asset/property. This underlines the valuation maxim 'as you analyse, so you value'."

7.3.5 use of experts- the Valuer must be involved in the selection – cannot blindly follow – incumbent on the Valuer to understand the logic of the findings.

MVS 7 – APPROACHES TO VALUATION

7.3.6 – Hierarchy of evidences

- (a) Recent sale of subject property
- (b) Recent transactions of similar properties
- (c) Recent transactions – unregistered but the result of a “meeting of minds” between an intending buyer and seller
- (d) Binding offers
- (e) Published sources or databases
- (f) Asking prices
- (g) Past/historic evidences
- (h) Other indirect evidences
- (i) Evidences of recent transactions of other property types and locations and others

MVS 8 – VALUATION REPORTS

8.2.3 Letter providing a value before report.

8.3.3 The Valuer must ensure the data adopted are adequate, verified, correctly analysed and followed through in arriving at the value conclusion together with adequate explanation and discussion. Adjustments made must be consistent, supportable and reasonable.

MVS 9 – VALUATIONS BASED ON ASSUMPTIONS

Assumptions are not allowed. If used they must be highlighted and they must be realistic, relevant and valid.

9.2.5 When used there must also be an “as is” value.

The words “as is” can be found in Asset Standards IVS 410 Development Property.

MVS 10 – VALUATIONS FOR FINANCIAL REPORTING

10.2.1 Valuers must have a basic understanding of accounting concepts and principles.

10.3.2 Fair value has 3 Levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

10.3.8 Interactions between Valuers and Auditors are to be on a professional courtesy basis with all communication, queries and responses in writing and only upon request are Valuers to provide scanned copies of the workings.

MVS 11 – VALUATIONS OF BIOLOGICAL ASSETS

11.1.3 An amendment by the International Accounting Standards Board (IASB) does not require a fair valuation of the bearer plant (oil palms or rubber trees), but requires only the produce of the bearer plant (the fruits or the latex) to be valued under the standard for biological assets, IAS 41 (Agriculture) and this was effective from 1 January 2016. However, Valuers may still be required to value the bearer plant in cases where entities do not choose the fair value model under IAS 41/MFRS 141 (Agriculture) and choose the revaluation model under IAS 16/MFRS 116 (Property, Plant and Equipment) or under IAS 40/MFRS 140 (Investment Property).

MVS 11 – VALUATIONS OF BIOLOGICAL ASSETS

11.2.2 However, post 1 January 2016, the Valuer additionally has to deduct from the estimated value of the bearer plant, the value of the produce of the bearer plant when called upon to value for financial reporting purposes under the Revaluation Model, under IAS 16 or MFRS 116 (Property, Plant and Equipment) or under IAS 40/MFRS 140 (Investment Property). The value of the produce of the bearer plant to be deducted must be obtained from the client or the business entity as Valuers cannot reliably estimate the value of the produce on their own.

In Malaysia it has been decided that the fruits will be valued based on the estimated oil content as at the valuation date – 3 months of the first year of the cash flow from then market value as per the DCF (there is a range that is issued by Malaysian PLCs but it seems some of the major PLCs have used 3 months – there is some statistics. As for bearer plant (the trees) that is the balancing figure Rubber Estate? – don't split. Dairy Farm? Don't split?

MVS 12 – VALUATIONS FOR FINANCING PURPOSES

12.3.6 A feasibility study may also be required in the valuation of development properties for financing purposes. A feasibility study determines the viability of the proposed property development. The study may include investment analyses and financial performance to evaluate as to whether it is likely to be carried out successfully or pursued under a proposed development plan and may include advice to further improve the viability of the proposed project development.

12.3.7 It is a feature of the market in Malaysia whereby banks/financial institutions require indicative values for purposes of initiating loan processing. However, Valuers do not carry any professional liability for indicative values extended to banks/financial institutions.

MVS 12 – VALUATIONS FOR FINANCING PURPOSES

12.3.8 The Board permits the communication of indicative values to banks through email or WhatsApp, provided that the following disclaimer is stated in each instance:

'The recipient of this Email/WhatsApp is hereby informed that the indicative value provided does not constitute a formal opinion of value in accordance with the mandatory Malaysian Valuation Standards (MVS). This value is subject to change upon the issuance of the formal valuation report, which will be conducted following a physical inspection of the property and the necessary due diligence. It is important to note that, in line with the MVS, no professional liability is also extended for indicative valuations.'

MVS 13 – UPDATE VALUATIONS

13.2.1 An update valuation can only be provided, if;

- (a) it is prepared in connection with an interest in a property, which was previously valued by the same firm, for the same client and for the same purpose. The previous valuation must have been in the form of a Report and Valuation prepared in accordance with MVS 8 (Valuation Reports);
- (b) the previous Report and Valuation was prepared not more than three years prior to the date of the Update Valuation; and
- (c) it is not used by the client or lending institution, for obtaining/granting fresh loans or additional funding based on the updated value reported, and this must be stated in the Update Valuation.

13.3.1 Firms are only permitted to undertake full Reports and Valuation as provided for under MVS 8 (Valuation Reports) and Update Valuations as provided by this Standard.

MVS 14 – MASS VALUATIONS FOR PROPERTY-BACKED PORTFOLIOS

14.1.2 Mass valuations are required for review of properties with regard to non-performing loans and delinquent loans.

MVS 15 – VALUATIONS OF PLANT, MACHINERY, EQUIPMENT AND INFRASTRUCTURE (PMEI)

Plant, Machinery and Equipment - an assembly of items related by their proximity, interconnections and/or integration that perform a function exclusively. It may be broadly divided into the following:

Plant: assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialised buildings, and machinery and equipment forming a dedicated assemblage.

Machinery: individual, or a collection or a fleet or system of, configured machines/technology (including mobile assets such as vehicles, rail, shipping and aircraft) that may be employed, installed or remotely operated in connection with a user's industrial or commercial processes, trade or business sector (a machine is an apparatus used for a specific process).

Equipment: an all-encompassing term for other assets such as sundry machinery, tooling, implements, fit-outs, fixtures, furniture and furnishings, trade fixtures and fittings, sundry equipment and technology and loose tools that are used to assist the operation of the enterprise or entity.

IVS 300 was revised in 2025 to include Infrastructure into the P&M standard to recognize that modern industrial and operational assets often function as interdependent systems— where physical plants, machinery, and infrastructure assets are interconnected in both functionality and value. Aligning MVS 15 with IVS 300 is therefore vital to maintain Malaysia's credibility and relevance within the international valuation community.

From a professional standpoint, infrastructure assets such as utilities, pipelines, terminals, treatment facilities, ports, and transportation systems represent a growing component of national and corporate wealth. Their inclusion under MVS 15 ensures that Valuers apply consistent methodologies and ethical standards across all tangible operational assets, particularly where cost, income, and market approaches applied in all valuation exercises. This broader scope also allows Malaysian Valuers to engage confidently in cross-border assignments and Public-Private Partnership (PPP) projects, where international reporting and investor confidence depend on adherence to IVS.

MVS 16 - VALUATIONS FOR SUBMISSION TO THE INSURANCE AND TAKAFUL SUPERVISION, BANK NEGARA MALAYSIA

Must comply strictly with the Guidelines on Property Valuations of Insurance Companies issued for Valuations submitted to the Insurance and Takaful Supervision, Bank Negara Malaysia.

MVS 17 - VALUATIONS FOR CAPITAL MARKET REQUIREMENTS

Must comply with the Asset Valuation Guidelines of the Securities Commission Malaysia which are specific User Standards.

The Basis of Valuation is Market Value.

A summary of the Valuation Report is required – known as a Valuation Certificate – for inclusion in the prospects/abridged prospectus/circular.

MVS 18 – VALUATION FOR RATING PURPOSES

Must comply with relevant provisions of the Local Government Act 1976 (for Peninsular Malaysia), Laws of Sarawak Chapter 20 Local Authorities Ordinance 1996 or Local Government Ordinance 1961 (Sabah No 11 of 1961) and Article 156 of the Federal Constitution, as the case may be.

MVS 19 – LIMITING CONDITIONS

19.1 INTRODUCTION

19.1.1 A Valuer may accept instructions to value and prepare a report subject to certain limiting conditions and exclusions as agreed with the client.

19.1.2 Valuers may, for each instruction, select appropriately the limiting conditions stated in this Standard. The limiting conditions are not intended to be prescriptive in terms of content and wordings and as such Valuers should exercise judgement in determining the specific content and wordings for each limiting condition that is adopted for a valuation. All limiting conditions must be unambiguous and must be expressly stated and prominently set out in the report.

MVS 19 – LIMITING CONDITIONS

19.2.2.22 LIMITATION OF LIABILITY

Sufficient duty of care has been exercised in the preparation of the Report and Valuation, and if it is proven that there is an apparent negligence on the part of the Valuer, the liability related to this valuation (whether arising from this valuation, negligence or any other cause whatsoever) is limited in respect of any event or series of events to the actual loss or damage sustained subject to a liability cap of **five times of the fee** to undertake the valuation.

GUIDANCE NOTES ON BUSINESS VALUATIONS

Guidance Notes on Business Valuations

Historically, the primary legislation governing valuation practice in Malaysia— the Valuers, Appraisers, Estate Agents and Property Managers Act 1981 (Act 242)— has been focused exclusively on real estate valuation. Accordingly, the MVS, as subsidiary legislation under the Act, was originally framed with real estate valuation in mind. Recognising the growing demand for business and intangible asset valuation, both government and private sector Valuers came together in 2015 to form the Business Valuers Association of Malaysia (BVAM).

Following that, BVAM collaborated with the International Association of Certified Valuation Specialists (IACVS) to introduce the Business and Intangible Asset Valuation course in Malaysia, raising the level of competency and professionalism in this specialised field.

Building upon this foundation, we have in 2019, incorporated the Guidance Notes on Business Valuation into the MVS. These notes are intended to serve as a professional guide for Valuers undertaking business valuation engagements across Malaysia. They are developed in alignment with the MVS and closely follow the principles and framework of the International Valuation Standards.

The following are the highlight of the guidance notes:

1. The Guidance notes on Business Valuation ("GN") were prepared based on the **same structure as the MVS**.
2. The major differences between GN and MVS is in **GN 7 – Approaches to Valuation**.
3. Under GN 7 – Approaches to Valuation, we have included methods to be considered in business valuation, under each of the three approaches:
 - a) **Market approach (comparable transaction method/ Guideline public traded comparable method);**
 - b) **Income approach (DCF); and**
 - c) **Asset/ cost approach (Replacement cost/ reproduction cost).**

The following chapters under MVS were not included in the GN as they are not relevant to the business valuation:

1. MVS 9- Valuation based on Assumption;
2. MVS 10 - Valuations for Financial Reporting;
3. MVS 11 - Valuation of Biological Assets;
4. MVS 12 – Valuations For Financing
5. MVS 13 – Valuations for Update Valuations
6. MVS 14 - Mass Valuation for Property-Backed Portfolios;
7. MVS 15 - Valuation of Plant, Machinery and Equipment; and
8. MVS 16 - Valuations for Submission to the Director of Insurance and Takaful Supervision, Bank Negara Malaysia.
9. MVS 17 – Valuations For Capital Market Requirements
10. MVS 18 – Valuations for Rating purposes

GN 1: Qualifications of Business Valuers and Conflicts of Interest

This note emphasises that only qualified and competent Valuers should undertake business valuations. Valuers must disclose any past, present, or foreseeable relationships that may lead to conflicts of interest. Independence is crucial, especially in assignments requiring an Independent Valuer. Payments or favours that may impair objectivity are strictly prohibited unless fully disclosed and approved.

For GNs 1 to 5 it is generally the same as for MVS but with minor changes as required to differentiate between real estate and business valuations.

GN 2: Conditions of Engagement

Before starting any valuation, the Valuer must fully understand the client's requirements and clearly document the terms of engagement. This includes purpose, scope, assumptions, limitations, fees, and responsibilities. A written agreement helps avoid misunderstandings and ensures transparency and professionalism throughout the engagement.

GN 3: Purposes, Basis, and Premise of Valuation

Valuations must be aligned with their intended purpose. Whether for mergers, taxation, litigation, or financial reporting, the purpose determines the appropriate basis or premise of value.

Misapplication of a valuation outside its intended context can lead to serious consequences.

GN 4: Market Value/Fair Value Basis of Valuation

This note defines Market Value based on IVS and Fair Value based on IFRS. It stresses that these are the default bases unless otherwise required. The Valuer must consider real market behaviour, avoid unrealistic assumptions, and make sound professional judgements based on credible market data.

GN 5: Bases of Value Other Than Market/Fair Value

Where Market or Fair Value is not appropriate, other bases may be adopted — such as Intrinsic Value, Investment Value, Liquidation Value, or Synergistic Value. The Valuer must clearly state and justify the use of these alternative bases and ensure the purpose of valuation supports such a choice.

GN 6: Research and Investigation

Thorough research is the foundation of a credible valuation. Valuers must understand the business, its financials, and the industry in which it operates. Where feasible, site visits and management interviews should be conducted. Information must be verified, and assumptions clarified with the client. We have also included in the latest Business Valuation Guidance notes that when a Valuation assignment involves reliance on information supplied by a party other than the Valuer, consideration should be given as to whether the information is credible or that the information may otherwise be relied upon without adversely affecting the credibility of the Valuation opinion. Significant inputs provided to the Valuer (e.g., by management/owners) should be considered, investigated and/or corroborated. In cases where credibility or reliability of information supplied cannot be supported, consideration should be given as to whether or how such information is used.

GN 7: Approaches to Valuation (Three approaches but catered to BV)

Valuers are to apply appropriate valuation approaches: the Market Approach, Income Approach, or Asset/Cost Approach. Selection depends on the nature of the business, the availability of data, and the valuation objective. We have also included in this latest version of MVS, the ESG factors that must also be considered where relevant. Use of multiple approaches is encouraged, with clear reconciliation of any differences in conclusions.

GN 7 - APPROACHES TO VALUATION

1. In developing the valuation, the Valuer should consider the three most common valuation approaches:-
 - (a) **Market Approach**
 - (b) **Income Approach**
 - (c) **Asset/Cost Approach**
2. The Valuer should use an appropriate approach of valuation in carrying out his valuation. Where possible, **more than one approach should be used** and usually, but not necessarily, **one may be the primary approach and the other acting as a check**. When two approaches to value are used there **should be statements made to clearly reconcile or explain** the differences in value arrived at by both approaches.

3. MARKET APPROACH:

3.1 Comparable Transactions Method

- (i) **The Comparable Transactions Method**, also known as the **Guideline Transactions Method**, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.
- (ii) A Valuer should analyse and make adjustments for any material qualitative and/or quantitative differences between the comparable transactions and the subject asset.

3.2 Guideline Publicly-Traded Comparable Method

- (i) The **Guideline Publicly-Traded Comparable Method** utilises information on publicly-traded comparables that are similar to the subject asset to arrive at an indication of value.
- (ii) This method should be **used only when the subject asset is sufficiently similar to the publicly-traded comparables** to allow for meaningful comparison.
- (iii) A Valuer should **analyse and make adjustments for any material qualitative and/or quantitative differences** between the comparable transactions and the subject asset.
- (iv) **Control Premiums** (sometimes referred to as Market Participant Acquisition Premiums or MPAPs) and **Discounts for Lack of Control (DLOC)** are applied to **reflect differences between the comparables and the subject asset** with regard to the ability to make decisions and the changes that can be made as a result of exercising control.

3.2 Guideline Publicly-Traded Comparable Method

(v) Discounts for Lack of Marketability (DLOM) should be applied when the comparables are deemed to have superior marketability to the subject asset. A DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOMs may be quantified using any reasonable method but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

4. INCOME APPROACH: 4.1 Discounted Cash Flow Method

- (i) In using the DCF method, the forecasted cashflow is **discounted back to the valuation date**, resulting in a present value of the asset.
- (ii) In some circumstances for long-lived or indefinite-lived assets, the DCF may include a **terminal value** with no explicit projection period.
- (iii) A Valuer must perform **analysis to evaluate the financial forecast**, the assumption underlying the financial forecast and its appropriateness for the valuation purposes.

- (iv) The financial forecast should capture the amount of **timing** of all future cashflows associated with the subject asset.
- (v) Where the asset is expected to continue beyond the explicit forecast period, the Valuer must **estimate the value of the asset** at the end of that period.
- (vi) The rate at which the forecast cash flow is discounted should reflect **not only the time value of money**, but also the **risks associated** with the type of cash flow and the future operations of the assets.
- (vii) The Valuer may use any reasonable method for developing a **discount rate**. While there are many methods for developing or determining the reasonableness of a discount rate, a non-exhaustive list of common methods including the capital asset pricing model (**CAPM**), the weighted average cost of capital (**WACC**), the observed or inferred rates/yields, the internal rate of return (**IRR**), the weighted average return on assets (**WARA**), and the build-up method (generally used only in the absence of market inputs).

5. ASSET/ COST APPROACH:

5.1 Replacement Cost Method

- (i) This method indicates value by **calculating the cost of a similar asset** offering equivalent utility.
- (ii) Generally, replacement cost is the cost that **is relevant to determining the price** that a participant would pay as it is based on **replicating the utility of the asset**, not the exact physical properties of the assets.
- (iii) Usually replacement cost is **adjusted** for physical deterioration and all relevant forms of obsolescence.

5.2 Reproduction Cost Method

- (i) This method indicates value by **calculating the cost to recreate a replica of an asset.**
- (ii) Usually reproduction cost is **adjusted** for physical deterioration and all relevant forms of **obsolescence.**

The GN7 – Approaches to Valuation is consistent with BVGN 3 – Business Valuation of Valuation Standards and Practice Guidelines by Singapore Institute of Surveyors and Valuers and IVS 200 Businesses and Business Interest.

6. Reconciliation

- (a) In all approaches, the Valuer should use **prudent and well-informed judgement** to synthesise the analysis into a logical value conclusion.
- (b) All valuation conclusions should be reasonably based and clearly supported by **appropriate evidence**.
- (c) If more than one valuation approach has been used, the Valuer should include all the approaches and the values derived therefrom **should neither be averaged nor weighted** to form the final value of the asset. The Valuer should reconcile his opinion of value of the asset based on his professional judgement and experience.

GN 8: Valuation Reports

Reports must be clear, accurate, and not misleading. They must include the purpose, basis, premise, valuation date, description of the business, methods used, sources of information, and a well-supported opinion of value. Transparency in logic and assumptions is essential for reliability and user confidence.

GN 9 – REVIEW OF FINANCIAL PROJECTIONS

1. Where a financial projection is provided for the purpose of the Valuation, a **reasonable review** is expected to be performed in assessing the reliability and achievability of the financial projections.
2. In assessing the reliability and achievability of the financial projections, the Valuer must **analyse** the historical financial performance and position of the business and compare them against the bases and assumptions adopted in the financial projections.
3. The Valuer must ensure that, amongst others, the projected profit margin, credit term of the debtors and creditors and the stock turnover days are consistent with the historical performance and contractual obligation. **If there is any discrepancy, the Valuer must clarify the matter with the management to obtain more understand about the future direction of the Business.**
4. If substantial growth or extension is assumed in the financial projections, the Valuer **must satisfy himself** that the business has enough capacity for such expansion. A letter of representation must be provided by the management to detail out the management's justification on the bases and assumptions

When projections are used, Valuers must evaluate their reasonableness based on historical data and contractual terms. Significant assumptions, especially related to growth, must be supported by justifications from management. Letters of representation may be required for assurance.

Guidance Note 10: Valuation of Intangible Assets - in MVS it is Valuation for Financial Reporting

Intangibles such as trademarks, software, or customer relationships must be properly identified and valued using appropriate methods — including the Market, Income, and Cost Approaches. Common techniques include Relief from Royalty, Excess Earnings, and Premium Profit methods. The Valuer must understand legal rights, economic life, and ownership status, particularly in the case of Intellectual Property.

An intangible asset is identifiable if it is either:-

- a) **separable**, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intended to do so; or
- b) arises from **contractual or other legal rights**, regardless of whether those rights are transferable or separable from the entity or form other rights and obligation.

10.2.2 Intangible assets that do not meet the identifiability criteria are generally termed as goodwill. Goodwill represents future economic benefits arising from a business, an interest in a business, or from the use of a group of assets that are not individually identifiable and separable. In valuation practice, goodwill is typically calculated as the residual amount remaining after deducting the value of all identifiable tangible, intangible, and monetary assets, adjusted for actual or potential liabilities, from the total value of the business.

10.2.3 Determining the economic life of an intangible asset is crucial, especially when applying the Income Approach to valuation. The economic life may be finite or indefinite and is influenced by various factors, including:

- (a) Legal Factors: Duration of legal protections, such as patents or trademarks;
- (b) Technological Factors: Likelihood of technological advancements rendering the asset obsolete;
- (c) Functional Factors: Changes in the asset's utility or relevance to the entity's operations; and
- (d) Economic Factors: Market demand, competition, and economic conditions affecting the asset's profitability.

Valuers should assess these factors individually and collectively to estimate the asset's economic life accurately. Additionally, consideration should be given to the pattern of use or replacement of the asset over time.

10.2.4 The principal classes of identifiable intangible assets are as follows:-

- (a) marketing related;
- (b) customer or supplier related;
- (c) technology related;
- (d) artistic related; and
- (e) contract related

Within each class, the assets may be either **contractual** or **non-contractual**.

10.2.10 Valuation Approach - Market Approach

- (a) The value of an intangible asset is determined by reference to market activities, e.g. **transaction bids or offers involving identical or similar assets**.
- (b) The heterogeneous nature of intangible assets means that it is **rarely possible to find market evidence of transactions involving identical assets**. If at all there is any market evidence, it is usually in respect of assets that are similar but not identical. As an alternative, or in addition to, comparison with the prices in any relevant transaction involving identical or similar assets through analysis of the sale transactions may provide evidence of valuation multiples, e.g. it may be possible to determine a typical price to earnings ratio or rate of return for a class of similar intangible assets.
- (c) Where evidence of either prices or valuation multiple is available, it will often be necessary to **make adjustments to reflect differences** between the subject asset and those involved in the transaction. The adjustments are necessary to reflect the differentiating characteristics of the subject intangible assets and the assets involved in the transaction. Such adjustments may only be determinable at a qualitative, rather than quantitative level.

10.2.11 Valuation Approach - Income Approach

(a) Relief from Royalty Method (also referred to as Royalty Saving Method)

- (i) The value of an intangible asset is determined by reference to the value of the **hypothetical royalty payments** that would be saved through owning the asset, as compared with licensing the intangible asset from a third party. The hypothetical royalty payment over the life of the intangible asset is **adjusted for tax and discounted to present value at the valuation date**. In some cases, the royalty payment may include an initial payment in addition to periodic amounts based on percentage of revenue or some other financial parameters.

- (ii) Two methods can be used to derive a hypothetical royalty rate. The **first** is based on the **market royalty rate for comparable or similar transactions**. A prerequisite for this method is the existence of comparable intangible assets that are licensed at arm's length on a regular basis. The **second** method is based on a **split of profit which would hypothetically be paid in an arm's length transaction** by a willing licensee to a willing licensor for the rights to use the subject intangible asset.
- (iii) Royalty rates can often vary significantly in the market for apparently similar assets. It is therefore, prudent to **benchmark the assumed royalty input** by reference to the operating margin that a typical operator would require from sales generated from use of the asset.

(b) Premium Profit Method

- (i) This method involves **comparing the forecasted profits or cash flows** that would be earned by a business using the intangible asset with those that would be earned by a business that does not use intangible assets. It is often used **when market-based royalty rates are not available or are unreliable**.
- (ii) Having established the difference in the profits that will be generated, an **appropriate discount rate** is applied to **convert forecasted incremental periodic profits or cashflows** to a present value or a capitalisation multiple to **capitalise constant incremental profits or cash flows**.

(c) **Excess Earnings Method**

- (i) The excess earnings method determines the **value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after deducting the proportion of cash flows that are attributable to contributory assets**. The excess earnings method is typically used in the valuation of customer contracts, customer relationships and in-process research and development projects.
- (i) The excess earnings method involves **allocating the expected cashflow** to the smallest business or group of assets of the entity that includes all the income derivable from the subject asset.

- (iii) From the forecast of cash flows, a deduction is made in respect of the share of the cash flows attributable to contributory tangible, intangible and financial assets. This is done by calculating an appropriate charge or economic rent for the contributory assets and deducting this from the cashflows. To arrive at a reliable valuation of the subject asset, it may also be appropriate to make an additional deduction to reflect any additional value attributable to the fact that all the assets are utilised together as a going concern. This typically reflects the benefit of the cash flows attributable to the asset of an assembled workforce which would not be available to a buyer of the individual asset.

10.2.12 Valuation Approach - Cost Approach

- (a) The Cost Approach is mainly used for **internally generated intangible assets** that have no identifiable income streams. Under the Cost Approach, the replacement cost of either a similar asset or one providing similar service potential or utility is estimated.
- (b) Examples of intangible assets for which the Cost Approach may be used include **self developed software**, **websites** and **assembled workforce**.

10.2.14 Reconciliation

- (a) In all approaches, the Valuer should use **prudent and well-informed judgement to synthesise the analysis into a logical value conclusion.**
- (b) All valuation conclusions should be reasonably based and clearly supported by **appropriate evidence.**
- (c) If more than one valuation approach has been used, the Valuer should **include all the approaches and the values derived therefrom** should neither be averaged nor weighted to form the final value of the asset. The Valuer should reconcile his opinion of value of the asset based on his professional judgement and experience.

Guidance Note 11: Limiting Conditions - differs from real estate

Valuation reports may include limiting conditions such as confidentiality, use of report, validity period, and reliance on client-provided information. These conditions protect both the Valuer and the Client and must be clearly expressed and prominently displayed in the report. It should be noted that in the MVS, the limitation of liabilities are capped at 5 times in MVS while in the Business Valuation Guidance Notes, it is based on mutual agreement between the Business Valuer and the Client in the Engagement Letter.

Conclusion - Business Valuations:

In conclusion, the Guidance Notes represent a robust, principles-based framework that reinforces our commitment to professionalism, transparency, and accountability in business valuations. As we embrace these standards, let us continue to raise the bar of excellence in valuation practice, not just within Malaysia but in alignment with international best practices.

Thank You
Terima Kasih



Cảm ơn



Aw-Kun



Khop Chai



Salamat



Kyei zu tin ba de



Khop Khun

