


GROUP 1 PRESENTATION (August 24–25, 2017)

1. Representative from Philippine Veterans Bank
2. Representative from Board of Investment

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EXISTING SITUATION	ISSUES AND CONCERNS	SUGGESTIONS
<p>Special Considerations</p>	<p>1. No agency/authority that monitors the compliance of the valuers</p>	<p>Establish a monitoring body that will ensure compliance of the valuers on the provisions of the Philippine Valuation Standards.</p>
	<p>2. Adoption of the PVS</p>	<p>Requires all the valuers (Corporate and Individual) to adopt the valuation standards.</p>
	<p>3. NO standard rules</p>	<p>Establish Implementing Rules and Regulations regarding the implementation of PVS to include sanction for non compliance</p>

**THANK
YOU**



Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
LGU (Manila) <ul style="list-style-type: none">Section 223 of LGC Section 225	<ul style="list-style-type: none">Sec. 210 – RA 7160 not strictly being implemented – duty of officials issuing Certificate of Registration of Machinery.Depreciation Allowance – frequency of applying depreciation for taxation purposes	<ul style="list-style-type: none">IVS 300
Valuation Approaches and Methods		
LGU (Manila) <ul style="list-style-type: none">Cost Approach (Acquisition Cost)	<ul style="list-style-type: none">In computing RCN, the original cost is not updated based on current prices before deducting the allowable depreciation.	
Special Considerations		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
LGU (Manila) <ul style="list-style-type: none"> • Mass Appraisal Guidebooks • MRPAAO 		
Valuation Approaches and Methods		
LGU (Manila) <ul style="list-style-type: none"> • Market Data – Sales • Cost Approach • Quantity Survey 	<ul style="list-style-type: none"> • The basis for computing RCN is based on SMV and not current and fair values • Limited sources data 	
Special Considerations		
LGU (Manila) <ul style="list-style-type: none"> • Boarding houses, dormitories, and apartments for rent are classified as residential • Machineries owned by leases and movable. 	<ul style="list-style-type: none"> • These are earning entities and therefore classified as commercial • Moves from 1 location to another to evade taxes 	

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
LGU (Manila) <ul style="list-style-type: none">• MRPAAO• Mass Appraisal Guidebook	The brgys. Should assist by requesting to the assessor ongoing improvements	IVS 410
Valuation Approaches and Methods		
LGU (Manila) <ul style="list-style-type: none">• Cost Approach<ul style="list-style-type: none">• Quantity survey method	For LGUs, other costs are excluded like profit, marketing, costs, finance costs, etc.	IVS 104
Special Considerations		
LGU (Manila) <ul style="list-style-type: none">• Boarding houses, dormitories, and apartments for rent are classified as residential	These structures are actually used for profit and therefore classified as commercial <ul style="list-style-type: none">• Parking, hotels, restaurants operated by schools exempt under Section 234 R.A. 7160	

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
Valuation Approaches and Methods		
Special Considerations		
LGU (Valenzuela)	<ul style="list-style-type: none">• Can we specifically include Machinery? The LGC, RA No. 7160, specifically identified, and machinery is not Plant and Equipment• Provide discussion on Machinery• Plant definition as additional paragraph is clearly misplaced and misleading.<ul style="list-style-type: none">○ Let us consider International Accounting Standards involving Property, Plant & Equipment○ There is no need for stipulations	<ul style="list-style-type: none">• IVS 300 – Plant and Equipment • IVS 300 – Plant and Equipment• 1st draft of the PVS–2017, 20.12, p. 88

Workshop Outputs

Group 2: Plant and Equipment/Real_Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
<p>DPWH (Bureau of Equipment)</p> <ul style="list-style-type: none"> • Current Market Value • Replacement Cost • Inspection: Condition Factors • Useful Life • Actual Weight 	<ul style="list-style-type: none"> • Availability of replacement cost for same equipment model and performance. • Differences in market value among suppliers • Engineering estimation of useful life of equipment. 	<ul style="list-style-type: none"> • 104-160 • 104-30
Valuation Approaches and Methods		
<p>DPWH (Bureau of Equipment) National Government Agency Policies</p> <ul style="list-style-type: none"> • DBM BC No. 925, s1992 • COA MC No. 569-A, s1998 • COA Circular No. 2003-007 • Government Accounting Manual (GAM) : COA Cir. No. 2015-007 	<ul style="list-style-type: none"> • Valuation/Appraisal starts with determining the condition of the equipment using 0% – 100% scale. This will be inputted into a formula (COA) depending on whether the asset is still operational or non-operational or unserviceable. • The use of the 0%-100% scale during inspections is the main source of difference between the initial and final appraised values, because it is prone to subjective judgment. 	<ul style="list-style-type: none"> • Market Approach, or • Cost Approach <p>Whichever data is available.</p>
Special Considerations		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
<p><i>**Intangible Asset</i></p> <p>DENR (Forest Management Bureau) BIR zonal valuation</p>		
Valuation Approaches and Methods		
<p>DENR (Forest Management Bureau)</p> <ul style="list-style-type: none"> • Computed as 5% of the zonal value of the nearest commercial zone. • Market Value • Replacement Cost • UN System for Environment–Economic Accounting 		
Special Considerations		
<p>DENR (Forest Management Bureau)</p> <ul style="list-style-type: none"> • Annual Government Share calculations for Forest Land Use Agreements for tourism purposes (DHO 2004–28)/DHO 2004–59 • Ecosystem Valuation being done to account for Natural Resources 		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
Valuation Approaches and Methods		
Special Considerations		
DENR (Forest Management Bureau)	<ul style="list-style-type: none">• Issuance of Tax Declarations on Forest Lands. Basis: Revised Forestry Code (P.D. 705)	

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
BSP <ul style="list-style-type: none">For financial reporting, BSP requires/uses the Philippine Accounting Standards/Philippine Financial Accounting Standards (PAS/PFRS) in valuing P&E, RPI, DP.	<ul style="list-style-type: none">For financial reporting purposes, some of the bases of value acceptable to the PVS may not be acceptable PAS/PFRS.	
Valuation Approaches and Methods		
BSP <ul style="list-style-type: none">For banks' risk management, BSP requires that collaterals must have established market and the valuation methodology used is sound with maximum collateral value based on the appraisal by an appraiser acceptable to BSP.		
Special Considerations		
BSP <ul style="list-style-type: none">The SEC and the BSP prescribes the use of PAS/PFRS for purposes of financial reporting. PAS/PFRS in turn prescribed valuation approaches for assets, liabilities, and financial transactions.		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
Valuation Approaches and Methods		
Special Considerations		
TSO, COA	<ul style="list-style-type: none">• COA is currently issued the Government Accounting Manual (GAM) based on the PPSAS and IPSAS. Thus, we suggest that a COA auditor (who is more knowledgeable on the matters) be invited to the Exposure Workshop.	

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
IPREA	<ul style="list-style-type: none">The new law on ROW acquisition, RA 10752, must be transformed into a Guidance Note on Compulsory Acquisition.	
Valuation Approaches and Methods		
Special Considerations		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
Valuation Approaches and Methods		
Special Considerations		
Land Registration Authority <ul style="list-style-type: none">The LaRes (Land Registration System), a nationwide computerization of Land Registration Authority, helps on the investigations made during the course of a valuation assignment since the LaRes provides a speedy, accurate and reliable evidence to the Valuer with regard to the authenticity of a land title covering a particular real property.		<ul style="list-style-type: none">IVS 102 Section 20 – investigations

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
DAR <ul style="list-style-type: none"> Land Valuation 	<ul style="list-style-type: none"> The land owner wanted high valuation, while ARB wanted lower valuation Tax Declaration is not the actual value of land/undervalue High valued crops like banana (plantation-based) 	<ul style="list-style-type: none"> Refer to DAR AO 7 s. 2011 Section 84 DAR AO 2 s. 2009
Valuation Approaches and Methods		
$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.10)$ <p>LV = Land Value CNI = Capitalized Net Income (based on land use and productivity) CS = comparable sales (comparable sales as fair value) equivalent to 70% of BIR zonal values MV = market value per tax declaration (market value)</p>	<p>Formula:</p> <ol style="list-style-type: none"> If CS is not present $LV = (CNI \times 0.90) + (MV \times 0.10)$ IF CNI is not present $LV = (CS \times 0.90) + (MV \times 0.10)$ If MV is only available $LV = MV \times 2$ 	
Special Considerations		

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
<p>NHA</p> <ul style="list-style-type: none"> COA Cir. No. 2003-007 requires a 10% residual value of assets in Public Sector Accounting System for real properties, in general, machinery and equipment, and other wasting assets. 	<ul style="list-style-type: none"> This differs in derivation as inferred in the IVS and the LGC of 1991. 	<p>IVS 104</p>
Valuation Approaches and Methods		
<p>NHA</p> <ul style="list-style-type: none"> Quantity Survey Method plus Developer's Profit (20%) and 10% premium is being practical for in-house valuation of newly constructed housing units 	<ul style="list-style-type: none"> The IVS limits to Market Data, Cost and Income Approaches. It is not clear about application of Valuation Approach for new construction 	<ul style="list-style-type: none"> IVS 604 (Departures)
Special Considerations		
<p>NHA</p> <ul style="list-style-type: none"> 'The term "client" should be expanded to qualify what are those embraced by the word "entity". In the Philippine setting, the need for valuation by the public sector (LGUs, NGs, GOCCs) may differ in some instances with that of the private sector, among which are need for backward valuation for payment of just compensation in expropriation cases for lands that were developed into housing projects by virtue of the execution of unit of physical possession during the Marcos regime and conflicting COA rules and regulations, e.g. 	<ul style="list-style-type: none"> Clarify/qualify those that should be covered by the term "client" 	<ul style="list-style-type: none"> IVS 20.2

Workshop Outputs

Group 2: Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
NHA <ul style="list-style-type: none"> Depreciated Value/Scrap Value of Buildings with Notice of Demolition served by the Local Building Official 	<ul style="list-style-type: none"> Is the IVS clear about exceptions to its rule on the derivation of the residual value? 	IVS 104
Valuation Approaches and Methods		
<ul style="list-style-type: none"> Use of Market Value Approach but without clear ruling in the adoption of physical and economic obsolescence for land intruded/occupied by ISFS (Informal settler families) 	<ul style="list-style-type: none"> Physical/economic obsolescence grossly financially reduce the value of the property. Need for benchmarking on land valuation as there had been incidence that sales value based on private/external appraisal (declared market value) appeared lower than the zonal valuation. 	<ul style="list-style-type: none"> IVS 604 (Departures)
Special Considerations		
<ul style="list-style-type: none"> 'The term "client" should be expanded to qualify what are those embraced by the word "entity". In the Philippine setting, the need for valuation by the public sector (LGUs, NGs, GOCCs) may differ in some instances with that of the private sector, among which are need for backward valuation for payment of just compensation in expropriation cases for lands that were developed into housing projects by virtue of the execution of unit of physical possession during the Marcos regime and conflicting COA rules and regulations, e.g. 	<ul style="list-style-type: none"> Clarify/qualify those that should be covered by the term "client" 	<ul style="list-style-type: none"> IVS 20.2

Existing Situation

Issues and Concerns

IVS 2017 Reference

Workshop Outputs

Bases of Value

NHA

Group 2: Plant and Equipment/Real Property Interests/Development Property

- Valuation of real property (specifically land) which are affected by armed conflicts

- A note for discussion

IVS 104

Valuation Approaches and Methods

NHA

- Market Data Approach but 'stripping method' is applied in land valuation which may result to significant reduction of land value/

- Is the IVS cognizant of the use of the 'stripping method'. If so, what are the applicable provisions. If non, when would this method be made applicable. (e.g., would a 6,000 sq.m. +/- property along EDSA (and a through lot with its rear facing a secondary road warrant the application of a stripping method?)

- IVS 105

Special Considerations

- COA Circular No. 2003-007, regarding the Public Sector Accounting System in the recording of 'residual values' vis-à-vis the LGC of 1991 related provision and IVS reporting, valuation of lands intruded or densely occupied by Informal Settler Families
- Government agencies in support of the NG's effort to raise revenue from local taxation may consider revisiting valuation in its accounting records/FS the valuation of its land and improvements, particularly when the same are earmarked for disposition through sales, lease, joint venture or other public-private partnership modalities.

- Need for ruling to update real property valuation under ownership by government agencies.

- IVS 104

Workshop Outputs

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Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
Valuation Approaches and Methods		
Special Considerations		
<p>NHA</p> <ul style="list-style-type: none"> • In-house appraisal validating the external appraisal/s • Use/application of technology in the advent of GIS, GPS, etc. 	<ul style="list-style-type: none"> • In IVS, is this ethically allowed? • None has surfaced at least mention the potential application of enhancing the accuracy of data collection, appraisal reporting, etc. 	<ul style="list-style-type: none"> • 2012 Valuation Reviewer • None

Workshop Outputs

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Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value		
SHFC <ul style="list-style-type: none">Land – Market Data gathered within the vicinity (project site)Zonal Value (reference only)Assessed Value	<ul style="list-style-type: none">In most cases, the property is occupied by ISF (informal settlers)	
Valuation Approaches and Methods		
SHFC <ul style="list-style-type: none">Market Data Approach	<ul style="list-style-type: none">When there are no comparable properties within the vicinity (near project site)	
Special Considerations		