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ACCOUNTING AND AUDIT DEPARTMENT

PhD Thesis

- Summary –

“Developments and Insights into the Valuation of Fixed Assets for Financial Reporting Purposes”

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Key words

valuation, measurement basis, fair value, financial reporting, financial statements, real estate, plant and machinery, fixed assets, uncertainty, convergence analysis, motivations, auditing fair values, empirical research

Introduction

We started this research wishing to reach a deeper understanding of the revaluation process complexity, in general, and of tangible assets (primarily property, plant and equipment) revaluation in particular. We strived for a better understanding of the mechanisms governing this process so that we can provide guidance to appraisers, identify sensitive issues, key stages of the process and the impact the various components of this process can have. Revaluation of assets is reflected in the financial statements of companies and is a factor that may be relevant to the decision making of investors.

Valuation of tangible assets for financial reporting is a border area that brings together several professions: asset valuers, accountants (who prepare the financial statements of companies), auditors (who certify these financial statements) and company managers (who take the revaluation decision). Financial statements are addressed to the public, so users of financial statements are another category to be considered in this process.

Our findings outline the image of a complex process with many interactions and interferences, for which convergence issues are important. Also, our findings emphasize the need for cooperation among the parties involved and, for valuers, the necessity to have relevant accounting knowledge. For auditors it is important to understand valuation as "valuation is the key to financial statements" (Barth, 2007). Throughout the entire thesis we offer practical guidance for valuers, including case studies. We believe that this guidance is equally useful to the other professions involved (accountants, auditors) for a better understanding of the requirements of valuation for financial reporting. Also, we believe it is useful guidance for entities and the users of financial information, allowing them to understand the extension, limitations and difficulties of valuation for financial reporting.

Research Motivation

The motivation behind choosing this research topic is complex. The idea of a research on the role and importance of revaluation of fixed assets for financial reporting is derived, first of all, from a long practical experience of the author in the field of valuation.

I came to assess the importance of this research topic following a practice of 18 years in this area (in both positions: expert of the entity and the auditor's expert) and after intense and numerous exchanges of ideas with the parties involved in the revaluation of tangible assets (mainly auditors, managers and other valuers). This experience has pointed to the necessity of a research that would

investigate and clarify aspects related to valuation approach for these cases, to identify the most common problems / controversies and find alternative solutions that can be taken into account by valuers preparing such works.

The complexity of this process has increased in recent years, as valuation uncertainty increased in the context of the global financial crisis. Besides the issues raised by financial reporting under fair value there is a number of specific issues related to the valuation profession itself, concerning methodology, availability of information, how to approach complex situations and last but not least, the need to meet the specific requirements of the preparers of financial statements. The results of the valuation process is strictly related to the needs and requirements of the latter.

This research aims to bring front to front the demands and requirements of all parties involved in the process of revaluation of fixed assets in the attempt to obtain a complex picture of their interaction. This would highlight existing alternative approaches and provide solutions and guiding elements for valuers. We analysed the motivations of the parties involved, for a better understanding of the interaction between the parties. We sought to identify the problems and practical difficulties of valuation that can impact the manner in which the value of fixed assets reflects within the financial statements.

We believe that our research is useful for both professional valuers and the preparers of financial statements and the addressees of financial statements. Furthermore, it may contribute to the creation of models and valuation guides for controversial issues. Also, our research highlights the role of the specialist valuer in this endeavour, the importance of using its services and of the impartiality of an external expert. In addition, our research also serves to highlight the need for relevant accounting knowledge for the valuers involved in such proceedings.

Research Methodology

Our research is situated at the intersection of two professional fields: accounting and valuation. The variety and complexity of the issues raised compelled us to use several methods and techniques, our research perspective being a critical and interpretative but also a descriptive one.

In the first chapter, in order to analyse the background of financial reporting issues and regulations, we have used content analysis, comparative analysis and critical analysis. Our perspective was rather an interpretative and critical one. The content analysis used is one referred to as being "meaning oriented" (Smith, 2006: 148), therefore we have a phenomenological research. The scientific research process included a study of fixed assets revaluation regulations both nationally and through the provisions of international financial reporting standards. We have also included a temporal analysis in order to point to the moments that have marked important changes to both national and international revaluation regulations. In presenting the regulations and standards relevant to the present research we have used the description and explanation as a technique. We used comparative analysis to highlight the similarities and differences between standards, in order to draw conclusions on the existing convergence and harmonization degree and possible future changes.

During the second chapter we present specific asset valuation for financial reporting regulations using descriptive analysis. We resorted to a longitudinal study in order to assess time changes to recommendations and requirements related to asset valuation. We wrapped up using a transversal study in order to get a snapshot of the current situation, analysed in congruence with the most recent standards' modifications. We have also used the critical and interpretative analysis to identify, analyse and highlight the difficulties of tangible assets valuation for financial reporting. In the end a study case that includes probabilities calculations represents guidance for valuation uncertainty estimation.

The third chapter aims to synthetize the requirements, motivations and expectations of the parties included in the revaluation process. For this purpose we used a qualitative study, based on literature review and specific standards, study that also has a critical edge. Besides interpretative and critical analysis of the existing literature, we have also used quantitative analysis in a convergence analysis of the specific standards of the involved professions. The convergence study uses a data base obtained by content analysis. The statistic analysis uses similarity and dissimilarity indices.

The last chapter resorts to a quantitative analysis, based on an empirical research conducted by means of an online questionnaire administrated to the Romanian expert valuers. The formulated hypotheses were tested using statistical tests and scores. The research results enabled us to identify elements of the valuers' practical approach to the valuation process and highlight the related problematic issues as well as issues of convergence the other professions involved (accountants, auditors).

Throughout our research we use interpretative and critical analysis, filtering through the author's knowledge and expertise the results obtained from the literature reviews, in force regulations analysed and case studies proposed. Based both on this knowledge and expertise and research results we came up with several solutions and recommendations, presented throughout our thesis and identified possible future research directions.

The structure of the PhD thesis

Our research aims to understand and explain the complex mechanisms and interactions between the parties and professions involved in the revaluation of tangible assets. This analysis includes the background of revaluation and asset valuation regulations, the practical approach to this process as well as the motivations, requirements, expectations and behaviour of the involved parties. Our goal was to (1) get an understanding of the complex aspects of this process in order to be able to forward guidance lines for professional valuers in their approach, (2) identify sensitive issues and the impact of the various components of this process and (3) highlight the difficulties of the practical approach to the process and its particularities, thus enabling all involved parties to get a better understanding of this process.

Striving to have a feasible research, based on sufficient relevant data from all involved parties, we chose to maintain our focus on fixed assets. These are the most often revaluated type of assets and therefore this choice enables us both to obtain sufficient information and to compress the research area for a better understanding of the proposed subject.

Our research unfolds from general to particular. We started by analysing the regulations and referentials concerning fixed asset revaluation as well as the issue of fair value. We moved then our focus to the specific requirements of property, plant and machinery valuation for financial reporting purposes, highlighting practical issues, from both the literature and practical perspective, using case studies for exemplification. The analysis continued with the study of motivations and specific requirements of the parties involved in the asset revaluation and the analysis of the convergence degree between the relevant standards concerning fair value measurement and audit of financial statements at fair value on one side and the valuation standards on the other side. Based on all items identified during this analysis, we formulated the hypotheses of an empirical research on the practical approach to the valuation of fixed assets for financial reporting.

The PhD thesis comprises four chapters:

Chapter 1 – Fair value and value basis in Romanian and International referentials

Chapter 2 – The context of fixed assets valuation for financial reporting

Chapter 3 - The parties involved in the fixed assets revaluation for financial reporting

Chapter 4 - Empirical research on the valuation approach by professional valuers.

Chapter one comprises an analysis of the context of fixed assets revaluation. For a better understanding of the revaluation process we have started with an incursion in valuation, highlighting elements related to value theory, the nature of value, the development of valuation theory with its three classical approaches (income, cost and market). By presenting the basic elements of the valuation process and its possible destinations we position the valuation for financial reporting in context. This first chapter emphasises the debates around fair value and the stipulation (present and historical) of the main national and international accounting referentials concerning valuation basis and fixed assets revaluation.

To capture the complexities of the debate on fair value we performed a literature analysis. We investigated which is the state of knowledge related to the use of fair value for financial statements,

trying to put an emphasis on research of greater relevance to our topic. We have also sought the temporal dimension of events that had led to changes in financial reporting under fair value or have influenced academics and practitioners to undertake research related to the fair value relevance and role. The issue of fixed assets valuation for financial reporting purposes was seen in the broader context of the issues raised by the quality, relevance and importance of financial statements "under fair value".

The main issues of debate identified are: the relevance of fair value for financial statements, investor perceptions related to financial statements prepared at fair value, the reliability of fair value, practical problems brought by the adoption of fair value, its rule over the historical cost or conversely, the shortcomings of fair value compared to historical cost and, not in the least, the role of fair value in the financial crisis.

To place the issue of revaluation of fixed assets in the context of the applicable accounting referentials we did a review of the measurement bases contained in the Romanian and international referentials, focusing on the existing alternatives for fixed assets. This analysis includes the study of the provisions of IFRS 13 *Fair Value Measurement*. We analysed the novelties brought by this standard, their impact and the correspondence with valuation practice and standards.

In the end of the first chapter we made a comparative study that highlights the resemblances and differences between referentials. We have also used a case study to illustrate the accounting and fiscal impact of fixed assets revaluation in the case of a Romanian company.

The second chapter presents the elements related to fixed assets valuation in the light of both specific regulations of the valuer's profession and the difficulties of the process. The analysis starts with the three valuation approaches: fundamental concepts, methods utilised, advantages and disadvantages. We continued by identifying the elements related to fair value as a valuation concept, the temporal analysis of the specific standard of valuation for financial reporting and aspects related to impairment testing.

In this chapter we identify the difficulties and limits of fixed assets valuation. The issues explored are risk and uncertainty, valuation in atypical markets (with low activity or opaque) and difficulties risen by value allocation necessities. This analysis is based on both literature indications and the author's expertise. We used a case study for a better understanding of the usefulness and ways to express valuation uncertainty. This case study offers a qualitative and quantitative model of expressing and quantifying uncertainty.

Chapter three completes the complex picture of the valuation for financial reporting purposes with an overview of the position of the parties involved in this process: the entity (management) accounting professionals, valuers, auditors and not least, other information users (investors, public etc.). The goal is to comprehensively define the requirements and motivations of each party as well as their interaction. The analysis is based on the specific requirements of each profession (based on current regulations and best practices) and the elements covered by literature. Interpretation was focused on how we believe that valuers should act in order to address these specific requirements, within the limits of their own regulations and practices and those limitations brought by the specific practical situations.

To obtain a comprehensive picture of this interaction and its implications we performed a two level analysis of the convergence of the requirements of professions involved:

- A. Analysis of the convergence between the financial reporting standards (IFRS 13 respectively Topic 820) and the relevant international valuation standards (IVS – framework, IVS 1, IVS 3, IVS 300)
- B. The role of the expert valuer in the audit process (based on the provisions of TIP 20 issued by IVSC - “The Role of the Professional Valuer in the Audit Process”) and its convergence with the requirements of the specific audit standards (ISA 500, ISA 540 and ISA 620).

The convergence study was based on the analysis similarity and dissimilarity indices.

The third chapter ends with a proposal for a valuation report framework. This framework abides by the relevant valuation standards provisions while taking also into account the specific requirements of the applicable accounting referentials and the results of the analyses of this chapter.

The fourth chapter proposes an empirical research which surveys the practical approach to fixed asset valuation for financial reporting. Based on a compliant valuation process scheme, the research hypotheses formulated examine the degree to which valuers know and use the specific requirements of valuation for financial reporting in their every-day approach. Other topics covered are the impact of the auditor, value allocation methods used, the most frequent valuation approaches etc. This empirical research was conducted by administering an online questionnaire to the Romanian authorized valuers. The questionnaire includes items related to the practical approach to tangible asset valuation for financial reporting purposes. The results obtained by testing these hypotheses has allowed us to draw conclusions regarding the practical approach to valuation for financial reporting purposes, the main difficulties, the relationship with the hierarchy of fair values, completing the picture of this process.

At the end of our theoretical and practical analysis we have formulated the research conclusions and a set of recommendations, stressing the perspective and limits of the research. We believe that this PhD thesis is an useful instrument for expert valuers, considering that throughout its contents it captures the compulsory aspects to be considered within the valuation process, sensitive areas and various forms of practical guidance. Also, it allows valuers to get a better knowledge of their environment and of the requirements and expectations of the involved parties. This research is, in the same time, an useful instrument for the other parties involved in the revaluation process, by providing them with information related to the difficulties and limits of the valuation process, specific regulations, the alternatives and instruments available to valuers. This enables them to easier understand, analyse and verify the valuation reports addressed to them, ask pertinent question or seize manipulation tendencies.

Conclusions, Limitations and Future Research

Conclusions

The conclusions of our research are presented at the end of the thesis. This study has tried to seize as many aspects that impact the revaluation of fixed assets as possible. We have aimed to provide

useful elements to the valuers engaged in the process and outline a most complete picture of this process, that can be useful for all involved parties (entity, valuers, accountants, auditors and public) and represent, in the same time, an extra argument for convergence needs.

To better capture the problematic we started from the general context of fair value and its relevance to the financial statements, context within the revaluation process takes place. To complete the revaluation framework we analysed the specific regulations, standards regarding fair value measurement and fixed assets valuation and their evolution over time. The analysis of these issues, carried out the first chapter, provides some guidance that is useful in understanding the issues analysed:

- The fair value concept has developed in time, starting from investor's need that financial statements offer as many useful information as possible for their decision process. Accounting under fair value has gained ground in recent years and the concept has withstood the financial crisis and the disputes around it.
- The essential aspect of the dispute over fair value is the compromise between reliability and relevance. Fair value was criticized for volatility, the possibility of manipulation, difficulties of estimation in atypical markets, uncertainty, facilitating pro-cyclicality, high estimation cost estimate and more, was accused to be a determinant of the economic and financial crisis.
- Regardless of its shortcomings, fair value has no real competitor yet (Power, 2010). The need for more guidance in fair value estimation is universally acknowledged. There are discussions concerning the current practical difficulties of estimation and implementation and the need for more knowledge in the field of valuation techniques.
- The analysis of accounting referentials shows that these are largely harmonised with respect to the provisions related to recognition and measurement of fixed assets. In Romania, the provisions of OMFP 3055/2009 are harmonised with IFRS and IASB and FASB are in a convergence process that has already led to changes of the fair value measurement standards.
- The case study presented in the first chapter, together with the general level analysis of specific provisions shows that revaluation of fixed assets can have a significant impact over financial statements and financial indicators. The influence comes from both the valuation approach and the entity's decisions regarding (1) the class of assets to be revalued and (2) the subsequent accounting treatment.
- The analysis of accounting referentials reveals the existence of a complex topic that leads to practical valuation difficulties arisen from:
 - Provisions regarding recognition of fixed assets and capitalisation of initial and subsequent expenses.
 - The orientation of IFRS 13 towards fair value as an exit price, which assumes the use of observable market data and relating exclusively to market participants' perception.

Therefore, the analysis of the advantages and disadvantages of fair value underlines that there is a large number related to practical estimation of fair value, especially in turbulent, inefficient, not

orderly markets. These estimation difficulties impact the fair value and can affect its relevance. There is direct relation between the quality of markets and of fair value measurement.

In this context we analyse in the second chapter the regulations and guidance of expert valuers. Based on the benchmarks retrieved from the literature review and accounting referentials we investigated the difficulties and limitations of these valuations in the context of today's atypical markets. The research undertaken has allowed us to identify and emphasize several aspects, related to both valuation's specific regulations and its practical difficulties, the most important being:

- The tendency of current valuation for financial reporting standards towards the international financial reporting standards. IVS 300 declares that the provisions of the relevant applicable accounting referential prevail and emphasis is put on specific accounting elements, making valuers to seek guidance in the accounting referentials.
- The valuers' practical difficulties arise from both the current market context, and specific valuation standards (respectively applicable accounting standards):
 - The difficulty to relate exclusively to market participants' expectations and behaviour and ignore specific company data in estimating the highest and best use, market value and in impairment testing application
 - The specifics of fixed asset valuation will rarely allow to classify the estimated values at Level 1 of the fair value hierarchy. Also, literature's views converge towards the use of valuation approaches that are sustainable in time. Actually these approaches lead to the classification within the Level 2 and, most often, Level 3 of the fair value hierarchy
 - The demand to report a precise value instead of a range – basic conflict between valuers and the users of the information provided by valuers
 - The requirement to report valuation uncertainty and the usefulness in reporting it: valuation uncertainty is due to market situation (especially in not transparent or inactive markets) but also to the valuation process in itself. It can also arise from a particular condition of the appraised asset. A professional reporting of uncertainty can lead to a higher confidence of valuation users
 - The necessity to report different values for separate accounting units. This leads to the necessity of value apportionment, which comprises practical difficulties and the need to separate tangible and intangible assets when using the DCF method etc.

Our analysis proves once again that professional judgement is one of the key factors of the valuation process. Both the uncertainty level and the financial statements' users' confidence depend upon it. For this reason we have included in the second chapter a case study that presents a model of quantitative and qualitative reporting of valuation uncertainty, constituting guidance for valuers.

Valuation specific regulations indicate that the valuation report has to provide the entity with those elements that have to be included in the financial statements (within the valuer's competence

limits). The level of support provided by the valuer can stretch beyond the valuation standards requirements and can be included in the services engagement. Our research continued with an analysis of the motivations, expectations and requirements of the parties involved in the revaluation process. The main elements related to the position of the involved parties are the following:

- The revaluation decision can be based on various motivations of the management. These motivation can lead to pressures upon the appraiser in what regards the level of the estimated value.
- It is important that auditors have the necessary valuation knowledge or that they include an expert valuer in the audit team. Thus, in the revaluation process, we can encounter valuers as both management experts and auditor experts.
- The valuer, as the management's expert, has to abide by its own professional standards, be knowledgeable in applicable accounting referentials and have expertise and experience in the specific domain of the assets to be appraised.
- The financial statements users take into account the information related to asset revaluation; when assets have been revaluated their confidence in the financial statements depends upon the credibility bestowed to the valuation, valuer and auditor.
- A valuation report drawn for revaluation purposes has to meet the requirements of IVS 103 and of the applicable accounting referential, within the valuation scope of work limits and to provide the company with those elements that have to be included in the financial statements (to the limit of the valuer's competency boundaries).
- A good company – valuer – auditor communication and a valuation that supports professionally the financial statements' disclosure requirements would be useful tools in the decision process of investors.

To broaden the analysis we studied the convergence degree of the fair value measurement standards of the professions involved in the revaluation process. Convergence analysis has shown that, in recent years, IVSC has made great strides towards a high convergence with International Financial Reporting Standards, along with the IASB / FASB convergence process. Also, IVSC made a step towards involving valuers in supporting the audit process. Its new exposure draft provides valuers with guiding elements for both the position of management expert or auditor expert. The provisions of this new proposed standard has a high degree of convergence with ISAs specific provisions.

At the end of the third chapter we recommend a valuation report model that represents both guidance for valuers and an application of the conclusions drawn so far from our analysis. To get a step closer to the problematic of the practical approach of valuation for financial reporting we used an empirical research. Research hypotheses were formulated on the basis of elements identified during the earlier stages of our research and based on our projection of a compliant revaluation process scheme (presented in the beginning of the fourth chapter). The results of the empirical research confirm some of our previous findings and are mainly the following:

- The highest difficulty encountered by valuers in the valuation process is collection of market data but this is closely followed by difficulties in the valuer – client relationship with regard to final value estimates acceptance (which raises question marks regarding companies’ incentives behind the revaluation decision).
- In Romania, the most commonly appraised group is the construction group, followed by land and then equipment and machinery (possible influence of the Tax Code provisions and also a cause of conflict in value acceptance).
- The approaches and methods used in fixed asset valuation will most often lead to their classification at Level 3 and, less often, Level 2 of the fair value hierarchy.
- Most of the survey participants meet the specific requirements of this process with respect to the preliminary approach and several other aspects as value allocation need.
- Generally, value allocation is based on the methodology acknowledged by literature. For allocation of values between buildings, valuers use though several allocation keys. The study case presented offers guidance for valuers for this subject and also establishes that the variations induced by the use of different allocation keys can have an impact over the company’s expenses as well as over the true and faithful image.
- The auditor impact in this process is still reduced, either because there are many companies that revalue assets but are not audited or because not all auditors possess the relevant knowledge to analyse valuation reports. Another motive of this result might be the possibility that valuers are not always aware that their reports are verified. Nevertheless, our research results indicate that where valuations are verified by auditors there is an impact, as auditors most often require changes related to assessed values level and presentation of arguments and work assumptions.

We showed during our research that fixed assets valuation for financial reporting purposes is a complex process that must be organized in a logical sequence that takes into account the specifics of this appraisal. We drew numerous conclusions and proposed case studies and guidance for expert valuers. The key elements to be emphasized are:

1. Valuers who engage in valuation for financial reporting purposes must possess the relevant accounting knowledge related to this process.
2. The approach to revaluation of (1) valuers – by approach and value allocation - and (2) company – by selection of the groups to be revalued and subsequent accounting treatment - is important. It influences directly the accounting and fiscal impact of revaluation.
3. The main role played by the valuer in this process, as value provider and through his professional reasoning – essential element with impact over the valuation approach and uncertainty – but also as the auditor’s expert.
4. The interaction of the requirements of the parties involved in the revaluation process leads to conceptual conflicts. Examples are: precise estimated values versus value ranges, higher confidence (from investors) given to values classified in the Level 1 and Level 2 of the fair value hierarchy while the nature of fixed assets and practical difficulties in valuation rather lead to their classification at Level 3.
5. Rising convergence tendency, for both accounting referentials related to fair value measurement and standards of the professions involved in the revaluation process.
6. Increasing necessity that auditors have the relevant valuation knowledge.

7. The uncomfortable middle position of the valuer, between the company's incentives, valuation and accounting standards requirements, market difficulties and auditor's verification.
8. Specific for Romania – the prevalence of buildings' valuation due to the Tax Code provisions, a distorting factor that should be eliminated by removing the property tax calculation in conjunction with accounting values.

Personal contributions:

In developing this thesis we used a variety of sources, filtered through the knowledge gained in 18 years of valuation practice. Thus, this thesis includes in addition to the work of analysis, synthesis and comparison of research materials used (regulations, standards, various academic research and other publications) ideas and findings from a long valuation field experience, of which over 10 years in assets valuation for financial reporting purposes.

The basic idea of this research, in fact, belongs to me and is derived from the observation of the numerous practical and approach difficulties in addressing these revaluations, from both the management's and the auditor's expert positions. My first personal contribution is exactly the idea of starting this research, with the aim to understand the depths of the revaluation complex mechanism and offer a useful document that will contribute to a better cooperation between the involved parties and mutual understanding of the requirements.

The research presented includes elements of novelty, further analysis based on previous research, own reasoning, analysis and interpretation, case studies and personal research. The summary of the most important elements of my own contribution is the following:

- A. An analysis of the revaluation process by bringing all professions involved in this process front to front, analysing the specific requirements and seeking the existing points of convergence and divergence.
- B. Placing the research emphasis on fixed assets, for which the space given in the literature is much lower. However, in the valuation practice these are the most commonly assessed categories for the purpose mentioned.
- C. Historical analysis of the provisions of regulations on revaluation of tangible assets in Romania, focusing on their strengths and weaknesses and distortions introduced.
- D. A time evolution analysis of the regulations concerning valuation for financial reporting purposes, their changes in time with respect to specific requirements and guidance level.
- E. A practical demonstration of how the impact of revaluation over financial statements depends upon both the company's decisions in relation to the accounting groups to be revalued and subsequent accounting treatment and the practical approach to valuation and the manner of value allocation between accounting units with different depreciation treatment.
- F. The analysis of the current valuation difficulties, with a focus on valuation for financial reporting purposes, emphasizing the aspects related to valuation in atypical markets, valuation uncertainty and the issues related to value allocation.

- G. The guidance offered in relation to valuation uncertainty reporting, for an everyday valuation subject, along with a model of qualitative and quantitative reporting, under two alternatives presented by literature.
- H. Synthesizing the companies' complex motivations behind the revaluation decision, based on diverse and geographically dispersed research, as presented in literature.
- I. Analysis of audit evidence requirements when auditing valuation reports, including correlations and examples and a discussion of the particular case of the valuer as the auditor's expert.
- J. The two step convergence study for the standards of the professions involved: the first step (convergence of the fair value measurement standards of IVSC, IASB and FASB) takes up the idea of the convergence study conducted by Deaconu and Buiga in 2009, bringing several novelty elements: new standards are included in the analysis, focus is on fixed assets and convergence is studied for different topics. The second step represents a completely new analysis, focused on the convergence between auditing standards that relate to work with an expert and the IVSC exposure draft on the role of the expert valuer in the audit process.
- K. Proposal of a compliant valuation report framework, which meets the requirements of the parties involved in the revaluation process, as a result of the conducted analysis. The proposal made includes breakdowns for different possible issues. We believe that this comprehensive valuation report summary can be a useful guide for both expert valuers in drawing their reports and valuation reports users (auditors, investors, accountants) by increasing their knowledge related to valuation.
- L. The revaluation process scheme - this represents practical guidance to the valuation approach. The scheme shows, step by step, how to achieve a valuation process and report that meets the specific requirements. It can be a useful tool not only for valuers but also for the other parties (from within the entity) involved in providing information, allowing them to better understand the importance of their role in providing real and relevant data.
- M. The empirical research concerning the practical approach of fixed tangible asset valuation. This is the first research of its kind in Romania and has a high degree of complexity, aiming to highlight several aspects, from practical elements of the approach, knowledge and application of accounting referentials requirements to the auditor's impact. The investigated elements have allowed us to draw conclusions on the fair value hierarchy following revaluation, the difficulties faced by valuers and other aspects of value allocation approach.
- N. The case study on value allocation options for Group 1 Construction elements - the study has double benefit: it can be used as a guide for similar cases and present in parallel the results obtained by using multiple allocation keys, allowing thus a better understanding of variations that are likely and possible accounting effects.
- O. Emphasizing the need for better collaboration between valuers, entity and auditors, in order to facilitate a compliant revaluation process as well as emphasizing the need for valuers to have the necessary knowledge of the provisions of the applicable accounting referentials, experience and expertise in the valued assets domain and a credible professional judgment that is clearly presented in the valuation report.

Limitations and future research

As any research, our venture is subjective and limited. The following limitations have to be noted:

- From the tangible assets category we have chosen to insist largely on fixed assets, the main reason being that they are the most frequently categories revalued in Romania and so we could use more practical data. Also, the analysis of all tangible assets would have extended the complexity of the research. Therefore, our findings and guidance relate mostly to fix tangible assets, although many of the conclusions are also suitable for other types of assets.
- Little weight was given in our research to EVS (European Valuation Standards). We favoured IVS because, as described, in Romania IVS standards are the basis of the valuation standards.
- Some of the comments and arguments contained in the thesis are not supported by research or academic studies but come from my own, professional and practical experience. An example would be the topics selected in the literature review related to fair value.
- The convergence analysis comprises only the IASB and FASB standards that are strictly related to fair value measurement.
- Subjectivity in the election of categories and items included in the analysis of convergence, the choice of indicators and the limits thus imposed.
- Use of the author's own experience and perceptions gained from it in the empirical research, including questionnaire design.
- Limited exposure of the questionnaire: it was available for 3 weeks and could be accessed only by the valuers that, during this period, have accessed ANEVAR's webpage or were registered in the emailing lists of local ANEVAR organizations.
- Sample quality - even if it is representative, it is very difficult to seize to what extent those who responded to the questionnaire are representative as specific knowledge and level of valuation approach quality. This quality level may tip the balance of conclusions in one direction or another.
- Elements related to valuation reporting (apart valuation uncertainty) were not investigated. Nevertheless these represent an important aspect, both for auditing reasons and for inclusion of information in the financial statements. The main reason was the need to reduce the size of the research instrument.

The limitations of our research and unconsidered features can lead to further research, by example:

- The analysis of intangible asset valuation for financial reporting;
- Studies on revaluing companies, related to the motivations and frequently revalued assets;
- Studies investigating for which categories of assets / liabilities are companies and investors considering that revaluation is more useful.

We note that by the time we have ended our research, ANEVAR has promoted new valuation standards (ANEVAR 2014) which, besides the International Valuation Standards (IVS) include local standards and valuation guidance issued by ANEVAR. Also, the Tax Code is about to be changed in relation to taxation of buildings, which will be no longer related to the gross book value but to the "taxation" value.

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