

# A COMPREHENSIVE ANALYSIS OF THE LITERATURE TO DETERMINE WHETHER THE QUANTITY AND QUALITY OF MARKET INPUTS UTILIZED FOR VALUATION HAVE A SIGNIFICANT IMPACT ON THE ACCURACY OF THE FAIR VALUE OF PPE

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## ABSTRACT

*This study researches the impacts of market inputs on the accuracy of Fair Value (FV) assessment for Property, Plant, and equipment (PPE). It aims to address the gaps and limitations in the existing literature by examining the relationship between market inputs and the valuation accuracy of PPE across various businesses and settings. Prior research has focused on FV assessment of specific asset classes or industries. The research goals are to look at the significance of market inputs in FV assessment and decide their general importance in PPE valuation. This study demonstrates the significance of relevant and trustworthy market inputs for valuers in arriving at reliable FV estimates. The main results of the study show that Valuers should use a combination of income-based and market-based methods to value PPE assets for accounting purposes taking into account industry-specific factors that can affect the FV. The study offers suggestions for valuation practitioners, regulators, and accounting professionals to increase the accuracy and dependability of PPE valuations based on its findings. This study supports to improve the credibility of value opinions, encourage consistency and transparency in reporting, and ultimately make it easier for stakeholders to make informed decisions by implementing these recommendations. By examining the significance of market inputs and highlighting inconsistencies in empirical evidence, this study concludes that it contributes to our understanding of FV estimation for PPE.*

**Keywords:** Fair Value, PPE, Market inputs, Valuation accuracy, Assets valuation

## 1. Introduction

Financial reporting that is both accurate and dependable is essential for a number of stakeholders, including investors, lenders, auditors, and regulatory bodies, in today's global economy that is interconnected. They are able to accurately assess an organization's financial health and make informed decisions thanks to this Fair Value (FV) reporting. One critical component of this process is the estimation of FV of Property, Plant, and Equipment (PPE), a significant piece of an organization's resources that is frequently essential for income generation and smooth activity (IAS PPE 2004). Therefore, accurate

PPE valuation is essential for presenting a straightforward and complete picture of the financial scenario and performance of the company.

Financial reporting standards have developed over the long haul, with the Introduction of International Financial Reporting Standards 13 (IFRS 13) and the US Sound accounting guidelines ie. Generally Accepted Accounting Principles (GAAP) progressively move away from authentic cost-based reporting toward FV model-based reporting. This change is significant because it indicates a shift toward an asset valuation strategy that is more dynamic and market-sensitive. In order to provide a more accurate and current reflection of an asset's value, fair value accounting takes into account market expectations and current conditions (Zyla 2020). This method is thought to provide stakeholders with more relevant information and to be more faithful to the "real-world" value of an asset.

With regard to PPE, FV estimation is complicated. It includes assessing the price at which the resource could be traded in a safe distance exchange between proficient, consenting partakers. This means that the estimate should reflect the price that would be agreed upon in a transaction in which neither party is under any pressure to buy or sell and both parties have a good understanding of the asset's condition and potential (Allman 2010). Given that PPE is frequently one-of-a-kind and specialized in nature, accurately estimating this price is difficult. It necessitates a thorough comprehension of the asset's condition, potential for future cash flow generation, and market position.

Besides, the unique idea of business sectors and the intricacy of specific kinds of PPE can make precise valuation a difficult errand. Professional valuers' and accountants' abilities, knowledge, and judgment become particularly important in this situation (Christian 2000). Experts should have the option to explore the difficulties of fair value estimation, utilizing all suitable market sources of information and valuation approaches and methods, and making good decisions when vital. In order to ensure that stakeholders are able to comprehend and have faith in the valuation procedure, they must also be able to clearly and transparently communicate their valuation methods and assumptions. Maintaining confidence in financial reporting and the financial system as a whole depends on this.

The purpose of this study is to fill in the gaps and address the limitations of the previous research on how market inputs affect the accuracy of the FV of PPE. The research goals are to look at the significance of market inputs and decide their general importance in fair value assessment of PPE. The study likewise plans to distinguish the gaps in empirical evidence in regard to the consolidated impact of the amount and nature of market inputs on valuation accuracy.

The lack of empirical evidence and a comprehensive understanding of the relative importance of various market inputs and their effect on the accuracy of PPE valuations are the root causes of the research problem. By examining the relationship between market inputs and the accuracy of FV of PPE across various businesses and settings, the study aims to close this gap.

### *1.1 Definitions of Fair Value (FV) for Accounting Purposes*

The standard measure of an asset's (or liability's) worth used for financial reporting, investment, and business valuation is known as the Fair Value (FV) in accounting and finance.

The Financial Accounting Standards Board (FASB), which is responsible for establishing American financial accounting and reporting standards, defines Fair Value as the price that is needed to sell the asset or payment for the transfer of the liability in a detailed transaction between the participants. According to International Financial Reporting Standards (IFRS) 13 along with the International Valuation Standards (IVS), the Fair Value is defined as the “price that will be received for selling an asset or payment made to transfer a liability in a well-defined transaction between the participants at the date of measurement” (IVS 104, 90.1)

Generally Fair value is a term that has been developed from the concept of Market Value which is the estimated value at which a willing, knowledgeable, and independent buyer and seller would exchange an asset or liability (Apergis, Christou, & Hassapis 2014). Moreover, it is the price that would be agreed upon in a transaction in which neither party is under any pressure to buy or sell nor both parties have a good understanding of the asset or liability (IVS 104, 30.1). Further, Fair value in certain circumstances is defined as the value of something based on what it would be worth in a fair market, such as an asset or liability (IAS 16, 30) and (Sayce & Connellan, 2001). Nevertheless, it must be the Fair Value as defined by IFRS 13 when it is required for financial reporting purposes.

### *1.2 Standards apply for Fair Value Assessment*

International Financial Reporting Standard 13 or IFRS 13 has established a single framework for the measurement of the FV across all asset types and industries and provides guidance on FV measurement. In line with this, Sri Lanka Financial Reporting Standards (SLFRS) 13 is the Sri Lankan variation of IFRS 13 and it gives directions on FV estimation for Accounting Purposes. It aims to ensure that FV measurements in Sri Lanka are consistent with international standards and best practices and to bring consistency and transparency to the valuation process.

Furthermore, the International Valuation Standards Council (IVSC) publishes the International Valuation Standards (IVS), a collection of global valuation standards including IVS 104 pertaining to FV measurement while the RICS (Royal Institution of Chartered Surveyors) Global Standards also incorporates IVS 104 to ensure consistency of FV measurement by their members across the globe: These standards provide a framework for conducting high-quality and reliable FV measurement and encourage consistency, transparency, and professionalism in the FV assessment process.

### *1.3 Definitions of Property Plant and Equipment (PPE)*

As per International Accounting Standards (IAS) 16, Property, Plant, and Equipment (PPE) are tangible assets that meet two circumstances. First, they are used to make or provide goods and services, rent them out to other people, or run a business. Second, it is expected that they will be used more than once. In straightforward terms, PPE refers to substantial things like structures, hardware, and gear that organizations own and use for their tasks over a significant stretch of time (IAS 16, 6.c)). The PPE otherwise called fixed assets, capital resources, or substantial resources, are long-term tangible assets indispensable to most business operations and tasks and not effortlessly changed over into cash.

### *1.4 Introduction to Market Inputs*

Market inputs play a vital role in the estimation of the FV of an asset and it includes any data, information, and assumptions pertaining to the property, business, and market, and that could be used for FV assessment. IFRS 13 and IFRS 7 both provide guidelines that ascertain the FV of the financial instrument and present a hierarchy of Market inputs. It classifies the market inputs used for valuation techniques in order to determine FV for accounting purposes. Considering the relative subjectivity, observability, and dependability of the inputs, IFRS 13 divides market inputs into three levels, namely Levels 1, 2, and 3. The Level 1 inputs are the most trustworthy since they represent actual market transactions. The Level 2 inputs are ones that are observable for the asset or liability, either directly or indirectly but may need to be adjusted to account for differences in assets or market conditions. The reporting entity's assumptions and estimates serve as the foundation for Level 3 inputs.

The quantity of market inputs is the total amount of market inputs used in the valuation process and a greater quantity increases the reliability and accuracy of value estimation. High-quality inputs are unbiased, observable, and representative of the current market and quality is related to the precision, relevance, validity, and dependability of the data. As per Oyewo, Emebinah & Savage (2020), the accuracy of FV measurement relies upon the quality and amount of the market inputs utilized in the valuation cycle. Market inputs are the data and assumptions used by Valuers in asset valuations to estimate an asset's FV. These inputs can be observable market prices and transaction data or unobservable factors such as estimates of the management and assumptions regarding the company.

## **2. Methodology of Review**

The purpose of this systematic literature review is to ascertain how the quantity and quality of market inputs affect the accuracy of the FV of PPE. The philosophy incorporates a careful determination process, zeroing in on English-language, peer-explored articles, meeting procedures, working papers, and expositions distributed somewhere in the range of year 2000 and 2023 that straightforwardly address our exploration question. A total of 29 articles and references have been used for the study by using search terms such as "Fair Value," "Property, Plant, and Equipment (PPE)," "Assets valuation," "market inputs," and "valuation accuracy," we conducted a comprehensive search using databases like ScienceDirect, Google Scholar, and specific accounting and property valuation related journals. Obtaining information about authorship, publication year, sample size, research methodology, the definition and measurement of market inputs, Fair Value accuracy, main findings, and implications were all part of the data extraction process. We synthesized the data narratively following extraction, classifying the studies according

to their main findings and methodological approach, making it possible to compare and comprehend a wide range of results. Using the Critical Appraisal Skills Programme (CASP) checklist, we also assessed the quality of the included studies to ensure that only high-quality ones were included in the review. We believe that valuation and accounting professionals, academics, standards-setters, and policymakers could benefit from the method's robust insights and useful implications.

### **3. Literature Review**

#### *3.1 Fair Value Accounting and Valuation Techniques*

##### *3.1.1. Introduction to Fair Value Accounting*

Initially, in financial reporting, the standard method for valuing assets has been historical cost accounting, which records assets at their original cost minus accumulated depreciation. However, it fails to take into account shifts in the asset's market value over time, which could misrepresent a company's financial situation. In contrast, FV accounting measures assets based on their current market value, giving a more accurate and up-to-date picture of the financial health of the company (Gonzales 2013). The incorporation of FV accounting by the financial reporting standard like the IFRS and the GAAP has significantly increased. The need for more timely and relevant information in financial statements to enable stakeholders to make better-informed decisions has prompted the shift toward FV accounting (Morgheim 2015). The FV assessment generally employs three different valuation approaches and accordingly applied valuation methods that suit the subject property.

##### *Cost Approach*

One of them is the Cost approach which resides on the principle of substitution (IVS 105, 60.1). This technique includes assessing the substitution cost of the resource and adapting to devaluation factors like actual disintegration, utilitarian oldness, and monetary out-of-date quality (Jaijairam 2013). The Cost approach is frequently utilized for specific or one-of-the-kind resources with restricted marketability, like buildings with exceptionally fabricated hardware or foundation. Due to external factors like market conditions or technological advancements, this method may not accurately reflect the FV of assets that have experienced significant appreciation or depreciation (Hladika 2021).

##### *Market Approach*

Instead, the second Approach is the Market approach which is based on the supply and demand principle and assumes that market transactions involving comparable assets can determine an asset's fair value (IVS 105, 20.1). Identifying and evaluating comparable assets' market data, such as asking prices, sales prices, or rental rates, are all part of this method. (Luo 2007). In the presence of an active market for the asset, the market prices are regarded as reliable indicators of value.

### *Income Approach*

*On the other hand, the Income Approach is more often employed particularly for income-generating assets or for assets of special trading entities (IVS 105, 40.1). This approach is frequently employed by valuers in the assessment of FV, particularly for commercial properties, due to the fact that it may reflect the business potential generated by both tangible and intangible assets, hence estimating the FV of PPE used for the business.*

#### *3.1.2 Importance of Fair Value in Valuing PPE*

In the process of valuing PPEs, the concept of FV plays a crucial role. It is an important part of financial accounting. The International Valuation Standards (IVS) defines Fair Value, “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” (IVS 104, 90.1). PPE's FV must be estimated and judged because a variety of market inputs must be taken into account. Examples of these market inputs include observable market prices, inputs derived from comparable markets or assets, and subjective factors based on expert judgment, models, or assumptions. The amount and nature of these market inputs decide how precise the FV of PPE is.

#### *3.1.3 Studies on Quantity and Nature of Market Inputs*

The precise FV of PPE has been the subject of previous research into how the quantity and nature of market inputs affect it (Campbell, Hermanson & McAllister, 2002). According to studies, it is found that increasing the number of market inputs used in the valuation cycle can increase the accuracy of FV. The valuation's dependability is improved by a more extensive scope of information sources, which gives a more exhaustive comprehension of economic situations (Ernstberger et al., 2008). The accuracy of FV estimations is essentially affected by the nature of market inputs. As per Bandyopadhyay and Zeghal (2018), valuations will quite often be more exact when there is a more noteworthy dependence on noticeable and objective Level 1 data sources like provided cost estimates in dynamic business sectors. On the other hand, subjective Level 3 inputs, which are based on unobservable data and assumptions, may result in greater uncertainty and inaccuracy. The precision of the FV is likewise impacted by the ability of experts associated with the interaction and the nature of the models utilized. According to the European Monetary Revealing Warning Gathering (2018), the appropriate selection and application of valuation models, as well as mastery of those executing the valuation, contribute to additional precise outcomes. The writing accentuates the meaning of uncovering the valuation techniques and suspicions used to decide PPE's FV. Transparent disclosure, as stated by IASB (2018), enhances the reliability and comparability of financial statements and enables users to evaluate the precision of FV measurements.

#### *3.1.4. Hierarchy of Fair Value Inputs*

##### *Level 1 inputs*

The hierarchy of fair value, which is defined in IFRS 13, divides the valuation inputs into three levels based on their observability and dependability. Levels 1, 2, and 3 comprise these levels. Level 1 inputs are the data that are most reliable and objective for determining fair value more accurately. The subjectivity and vulnerability of these data sources is negligible, and they are quickly apparent. Hence Level 1 inputs estimates are thought to be more reliable and accurate.

### *Level 2 inputs*

Contributions of Level 2 remember perceptible market information for expansion to costs cited in Level 1. Benchmark costs, loan fees, yield rates, comparable sale prices, or other relevant market information might be included in these sources of information. Although Level 2 data sources are not as immediate or impartial as Level 1, they actually provide a healthy level of unwavering quality and can contribute to precise FV estimations.

### *Level 3 inputs*

Level 3 inputs, on the other hand, are based on unobservable data and subjective assumptions. When observable market data is deemed unreliable or unavailable, they are utilized. The inclusion of more assessment and judgment in Level 3 data sources results in a higher level of vulnerability and expected error in FV estimations. Examples of these inputs include cash flow projections, discount rates, or valuations based on internal models.

#### *3.1.5 Rational behind the different Market Inputs*

As indicated by Bandyopadhyay and Zeghal's 2018 review, FV estimations become less dependable and precise as we climb the FV pecking order from Level 1 to Even out Level 3. The findings indicate that estimations of PPE's FV are more precise when Level 1 inputs, which are more objective and observable, are used more heavily. Whenever possible, Level 1 inputs can be used to improve FV measurements for PPE's accuracy and dependability. Regardless, significant on occasion, Level 3 wellsprings of data may be essential due to the deficiency of perceivable market data. In such conditions, it becomes important to rehearse alert, apply great sense, and uncover the essential suspicions and systems used to appear at the FV estimate. Estimations of FV regularly end up being more exact when Level 1 sources of information, which are detectable and objective, are utilized. Level 3 information sources, which depend on emotional suspicions and inconspicuous information, present more prominent vulnerability and the chance of mistakes (Weiss 2016). Reliability can also be improved by level 2 inputs. To ensure the assessment of the FV of PPE is more accurate, experts in valuation should make it a highlight to utilize the contributions of the FV ordered progression that are both of the greatest quantity, quality and generally unbiased. The quality and measure of market inputs used in the valuation cycle are beyond a shadow of a doubt critical for the precision of the FV of PPE. Inputs quality straightforwardly affects valuation precision, as Christensen and Nikolaev's 2013 review illustrates. As per their discoveries, FV assessments that are more exact are made utilizing greater market inputs, which works on the general unwavering quality of monetary revealing. While implying enter quality, it regularly encompasses the trustworthiness and significance of the data used in the valuation. Relevant data sources take into account a variety of factors, such as the particular characteristics of the resource that is being praised, the industry in which it operates, and the current financial situation (Ong 2018). The valuation cycle can think of evaluations of FV that are more precise and dependable if larger information sources are utilized (Tsamis & Liapis 2014).

Despite input quality, how much market inputs are used in FV assessment similarly expects a colossal part in choosing precision. Ernstberger and others directed a recent report that found that increasing the quantity of market inputs works on the FV of PPE exactness (Angeloni 2016). Experts in valuation are able to acquire a more comprehensive understanding of the economic circumstances surrounding the resource being valued by combining a diverse range of data sources, such as numerous practically identical exchanges or market prices (Susan 2005). A more comprehensive perspective on the estimating and market patterns associated with PPE is taken into account by a greater number of market inputs. With this more extensive viewpoint, possible predispositions or anomalies in individual information focuses can be decreased. By considering multiple inputs, the valuation procedure becomes more robust and dependable, resulting in

improved FV measurements. As per Weiss (2016), the quantity and quality of market inputs used in FV measurements have an impact on valuations' reliability and accuracy. Using relevant and trustworthy data from a variety of sources, professionals in valuation can ensure more accurate FV estimates for PPE and increase the overall reliability of financial reporting. The impact of market inputs on the accuracy of the FV of PPE is still a contentious issue, despite the substantial body of literature on the subject. (Williams 2016). Further examination is expected to lay out an unmistakable causal connection between the amount and nature of market inputs and the exactness of FV estimations. Also, the need for the valuer's judgment and the effect of various industry settings on the FV of PPE is a region that requires further investigation.

### *3.2 The Impact of the Quantity and Quality of Market Inputs on Valuation Accuracy*

#### *3.2.1 Integrating Market Inputs for Accuracy*

By integrating a more noteworthy number of market inputs, valuation experts can get a more exact comprehension of the FV of PPE. Each piece of information contributes an alternate point of view available circumstances and the valuing of comparative resources. A FV estimation that is more accurate and reliable can be achieved by incorporating more inputs, which helps to reduce any potential biases and outliers that may be present in individual data points.

#### *3.2.2 Comprehensive Understanding through Diverse Market Inputs*

A more comprehensive comprehension of the market conditions is provided by incorporating a diverse range of inputs, such as comparable transactions, market prices, and pertinent data. As stated by Morgheim (2015), the market's current prices, recent transactions, and other pertinent data points are all reflected in various inputs. Professionals in valuation gain a broader perspective on PPE pricing and market trends by taking into account a variety of factors, which improves the accuracy of the valuation.

#### *3.2.3 Reducing Reliance and Enhancing Dependability of Market Inputs*

A more in-depth examination of PPE valuations is possible with a greater quantity of market inputs. It reduces the reliance on a single input or data source by allowing valuation professionals to consider a larger number of data points. The market dynamics and trends that influence the FV of PPE can be better understood with the assistance of this comprehensive approach. Additionally, it enhances the valuation results' robustness and dependability. Moreover, past writing has researched the adequacy and precision of different valuation inputs, like the expense, market, and pay draws near, in assessing the FV of PPE resources. In order to determine whether the findings of the study agree with or diverge from previous research, they should be compared to these findings.

#### *3.2.4 Quantity and Quality of Market Inputs*

The quantity and quality of market inputs have an effect on how accurate FV estimates for PPE are. By using a more noteworthy number of data sources, valuation experts can assemble more exhaustive and various data about the economic situations and estimates of comparative resources (Oleson 2004). With this broader perspective, potential biases and outliers can be reduced, which improves valuation accuracy. The FV estimates' overall accuracy and dependability are also improved by ensuring the relevance and reliability of market inputs, such as utilizing reliable sources and verifiable information. A more comprehensive examination of the market dynamics, trends, and pricing factors that



influence the FV of PPE is made possible by the inclusion of multiple inputs. Reduced reliance on a single input or data source, this comprehensive approach contributes to the creation of a more comprehensive picture of the asset's value (Gonzales 2013).

### *3.2.5 Building Trust through High-Quality Market Inputs*

Financial reporting's overall reliability is enhanced by valuations based on high-quality market inputs. Precise and solid FV evaluations for PPE are fundamental for giving straightforward and dependable monetary data to partners. Professionals in valuation can ensure that the financial reporting accurately reflects the assets' FV by incorporating a greater number of diverse and reliable market inputs (Gianfrate, Zanetti & Massari 2016). As a result, investors, lenders, and other stakeholders gain trust, the credibility of financial statements rises, and informed decision-making is facilitated.

### *3.2.6 Link between Market Inputs and Valuation Accuracy*

The accuracy of PPE asset valuations is largely determined by the quantity and quality of market inputs. Numerous studies have found a link between the number of market inputs and valuation accuracy, with many coming to the conclusion that more inputs result in more accurate valuations (Diamantopoulou & Avdia, 2021). In order to arrive at accurate valuations for PPE assets, it is essential to take into account the quantity and quality of market inputs. Market inputs incorporate information and data gathered from the market, including deals exchanges, tantamount resources, and market patterns, which can be utilized to help the assurance of a PPE's FV. When gathering market inputs, using a variety of data sources can improve the accuracy of PPE valuations. This includes market trends and expert opinions in addition to sales transactions and comparable. Diverse sources help to mitigate potential biases or inaccuracies in individual data points and provide a more complete understanding of the asset's value (Gianfrate, Zanetti & Massari 2016).

### *3.2.7 Importance of Timeline and Reliability of Market Inputs*

On the other hand, the timeliness of the information can have an effect on the relevance and accuracy of market inputs. There may be inaccuracies in the valuation process as a result of outdated or stale data that does not accurately reflect the current market conditions. For accurate PPE valuations, it is essential to ensure that the data used in the valuations are current and reflect the current market environment. In the valuation process, important factors include the credibility and dependability of the data sources used for market inputs (Prochazka 2011). Market inputs used in PPE valuations can be made more accurate and reliable by utilizing data from reliable sources like industry reports, government statistics, and established data providers. When market inputs are used, taking into account the individual characteristics of PPE assets can improve the accuracy of the valuation process. These qualities might incorporate factors like the resource's age, condition, area, or whatever other pertinent highlights that might influence its value. Valuations that are more accurate and reliable can result from adjusting market inputs to take these particular characteristics into account (Susan 2005).

### *3.2.8 Data Relevance and Dependability of Market Inputs*

A few examinations have proposed that utilizing a bigger number of market inputs in the valuation cycle can bring about higher valuation precision. This is on the grounds that more market information permits valuers to recognize and adapt to contrasts between the subject resource and similar resources, prompting more exact valuations. Additionally, a greater number of market inputs can reduce the reliance on subjective judgments and estimates, which may lead to FV measurements that are more accurate and dependable. In any case, it is likewise critical to consider

the nature of the market inputs utilized in the valuation cycle. Before the data can be used in the valuation, they need to be carefully evaluated for their relevance, dependability, and comparability. Even when a large number of market inputs are utilized, inaccurate valuations can result from data of a substandard or irrelevant nature. In general, the amount and nature of market inputs assume a huge part in deciding the precision of valuations for PPE resources (Sangchan, Borhan & Habib 2022). To ensure that FV measurements are accurate and dependable, valuers should try to use a sufficient number of high-quality market inputs in the valuation process.

### *3.2.9 Accessibility for Adequate Market Inputs*

When conducting PPE valuations, the studies emphasize the significance of having access to a sufficient number of market inputs. Valuers are able to take into account a wider range of factors and identify trends, patterns, or anomalies that may have an effect on the asset's FV when there are a greater number of market inputs (Park 2002). Furthermore, a bigger amount of market information sources can decrease dependence on emotional decisions and evaluations, possibly prompting more exact and solid FV estimations.

### *3.2.10 Relative Importance of Market Inputs*

The majority of studies have focused on specific asset classes or industries, which may limit the findings' applicability to a wider range of PPE assets. To address this difference, the future examination can investigate the connection between market data sources and valuation precision in different businesses and settings, which might uncover new experiences and add to the advancement of additional generally appropriate accepted procedures (Williams 2016). There is a lack of empirical evidence regarding the relative importance of various market inputs and their effect on the accuracy of PPE asset valuations. The relative importance of various market inputs, such as transaction prices, asking prices, or appraisals, in determining the accuracy of PPE valuations can be the subject of future research. There hasn't been a lot of research done on how the quantity and quality of market inputs affect valuation accuracy together (Oyewo, Emebinah & Savage 2020). By looking at how these factors interact with one another and how their combination affects valuation accuracy, future research can delve into this topic.

### *3.2.11 Implications for Stakeholders in FV Assessment*

The study's findings have a number of implications for investors, regulators, valuers and accountants, particularly with regard to the valuation of PPE using FV estimation. First and foremost, these discoveries highlight the significance of market factors in accomplishing precise and dependable PPE valuations. Valuation and Accounting professionals need to be aware of how important it is to get relevant, reliable market inputs and should try to get as much information as they can to back up their value estimates (Park 2002). Also, the review features the need to consider both the amount and nature of market inputs during PPE valuation. The use of a sufficient number of inputs to support a more accurate valuation should also be prioritized by accounting and valuation professionals as a result of this. This should motivate them to prioritize the collection of timely, dependable, and high-quality inputs. Professionals are advised to anticipate these difficulties and be prepared to employ their judgment and alternative valuation methods when necessary, as the findings also draw attention to potential difficulties in obtaining trustworthy market inputs for PPE valuation. Finally, the study's findings can help investors make informed decisions by providing insight into the variables that could affect the accuracy and dependability of PPE valuations.

The connection between the amount and nature of market inputs is complicated, with the two perspectives assuming a fundamental part in valuation exactness. Counting an enormous number of pertinent, great data sources enhances the investigation, cultivating a balanced view. Alternately,

the fuse of unimportant or inferior quality information can enriches the valuation, causing mistakes. The tech organization's contextual investigation fills in as a substantial sign of the significance of cautiously choosing market inputs that are really intelligent of the resource being assessed. Adjusting the amount and nature of market inputs is vital to accomplishing a powerful and exact valuation, making it a fundamental thought for valuation experts.

#### **4. Implications**

Combining market-based and income-based valuation techniques with industry-specific factors that affect the asset's value is one way to accomplish the accuracy of FV assessment. Valuers can acquire a deeper comprehension of the FV of PPE by combining the two approaches. Evaluation of the current sales of similar assets to determine their FV is one method of market-based valuation. In addition, it is suggested that industry-specific factors that may affect the asset's value be included. For instance, in the real estate industry, a property's FV can be significantly affected by market demand, the type of property, and its location. Market competition, technological advancements, and manufacturing sector production efficiency can all have an impact on the FV of PPE assets. Valuation practitioners ought to consider quality and adequate market inputs by utilizing a mix of market-based and income-based valuation methods while considering industry-explicit elements that can impact the value of the PPE.

It is suggested that accounting standards be continuously monitored in order to improve the accuracy of FV measurements. The evaluation of how changes in accounting standards, such as resorting to IFRS 13 or the introduction of new standards, affect the process of valuing PPE, ought to be the primary focus of future research. By concentrating on the adequacy of these changes, analysts can acquire bits of knowledge for their suggestions for PPE valuation and distinguish likely regions for additional improvement in financial reporting norms and rules. The results of this study will improve the accuracy and dependability of FV measurements for PPE by ensuring that the valuation procedure adheres to the most recent accounting standards, using reliable and adequate quality market inputs and contributing to the development of best practices. By incorporating these industry-specific factors, valuers can more accurately capture the unique characteristics and dynamics of the market in which the asset operates, leading to a more comprehensive and precise determination of the asset's FV. It will also provide valuable guidance for practitioners and regulators in adapting to evolving accounting requirements and promoting consistency and transparency in financial reporting that enhance the credibility of value opinions and ensure prudent investment decision-making more precisely.

#### **5. Conclusion**

In conclusion, for transparent and precise financial reporting, which has a significant impact on decisions made by investors, auditors, regulators, and stakeholders, the precise measurement of the FV of PPE is essential. This study features a few significant regions for improving the FV estimation process. The asset's FV can be accurately reflected by incorporating a variety of market inputs and ensuring their reliability and dependability. Second, it is suggested that valuers, accountants, investors, and regulators work together to improve the valuation process as a whole and increase market transaction transparency and valuation accuracy by ensuring adequate accessibility to quality market inputs. By collaborating, data can be made more open and direct, prompting improved precision and reliability of PPE valuations. The quality of financial reporting can be improved, investor and stakeholder confidence raised, and the PPE valuation process can be advanced by implementing these recommendations. This survey gives significant bits of knowledge and pragmatic rules to help investors, financial backers, regulators, academics, and accounting & valuation experts in working on the accuracy and consistency of PPE valuations. Besides, these discoveries can act as a reason for future examination in the field of PPE valuation,

directing endeavors to address likely difficulties and advance the general nature of monetary revealing. As a result, the landscape of financial reporting as a whole may be improved through additional training, data sharing, resource integration, and also collaboration among the various parties involved in the valuation process.

Executing the suggestions illustrated in this study can possibly achieve huge enhancements in the precision, dependability, and generally speaking nature of monetary detailing connected with Property, Plant, and Equipment. Valuations can better reflect the FV of assets by utilizing reliable market inputs and providing stakeholders with information that is more transparent and reliable for decision-making. Investor confidence rises as a result, as does awareness of an organization's financial health and performance. Moreover, encouraging joint effort among investors, bookkeepers, financial backers, academics, valuers, accountants, and regulators is critical for further developing the valuation interaction. These stakeholders can standardize procedures, promote consistency in valuation approaches, and address potential difficulties by cooperating. Open correspondence and shared information can prompt more prominent clearness and arrangement in monetary announcing, eventually helping all gatherings included.

It is also essential to acknowledge the limitations of the study. It is based on previously published research, so it might not take into account all of the possible aspects and points of view related to PPE valuation. The focus on particular asset classes or industries may limit the findings' ability to be applied to a wider range of situations. This study, on the other hand, aims to improve the accuracy and dependability of PPE valuations by examining the evidence that is available.

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