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## **Appraisal Institute advocates for appraiser professionals**

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In the news from the Appraisal Institute. The Appraisal Institute (AI) commented February 15th on the Financial Accounting Standards Board's (FASB) exposure drafts of two proposed accounting standards updates to investment companies and investment property entities.

As proposed, the two updates would require entities that meet the definition of an investment company or an investment property to report all their investments "including equity investments in real estate" at fair value. Changes in fair value from one reporting period to the next would be reported as part of net income.

These updates would replace current U.S. accounting requirements for investment property entities to report the value of their real estate investments using historical cost and accumulated depreciation (investment companies already report the value of their investments at fair value) and would further limit the definition of an investment company.

The adoption of fair value requirements for investment property entities would align U.S. accounting requirements for investment properties with those contained in the International Accounting Standards, specifically IAS 40. However, the FASB proposal would require, rather than allow, as IAS 40 does, entities that meet the definition of an investment property entity to report the value of their real estate holdings at fair value.

In its letter to FASB, AI wrote that, "Not only do we support the application of fair value requirements for the reporting of the real estate holdings of investment companies and investment property entities, but we believe that FASB and the IASB should adopt more universal requirements for the use of fair value measurements for the reporting of the value of an entity's real estate assets (i.e., for non-investment companies and non-investment property entities)."

However, AI expressed disappointment with the revised definition of an investment company and with the limited applicability of the proposed investment property entity standard, writing "we do not support the scoping out of any entity that is currently utilizing fair value for the reporting of real estate assets from these two standards."

AI also urged FASB to adopt disclosure requirements and to require the use of qualified valuation professionals, as is the case within IAS 40. AI said, "IAS 40 requires preparers to disclose the extent to which the fair value of investment property is based on a valuation by a qualified independent valuation professional and when a third party valuation professional has not been used. For consistency, we believe FASB should incorporate similar provisions in the final accounting standards updates."

FASB will hold several stakeholder roundtables on the proposals in the coming weeks. A timetable

for the release of the final accounting standards updates has yet to be determined.

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