17th PACIFIC RIM REAL ESTATE SOCIETY CONFERENCE

Do Clients Influence Valuations Carried Out For Financial Reporting Purposes? Some Evidence from Malaysia

Kamalahasan Achu
School of Real Estate & Planning
Henley Business School
University of Reading
Whiteknights, Reading, RG6 6UD, UK
k.achu@rdg.ac.uk

***Key words*: client influence, financial reporting valuation**

Abstract

Prior empirical studies indicate that valuers can be subject to pressure and influence from their clients to bias valuation outcomes (Smolen and Hambleton, 1997; Levy and Schuck, 1999; 2005; Baum, et al., 2000; Crosby, et al., 2009). Much of these findings have been based on valuations prepared for lending and performance measurement purposes. Building on this research, this paper examines the extent of client pressure and influence on valuations prepared for financial reporting by listed property companies and REITs in Malaysia. Malaysia provides a different perspective to the existing literature which has been mainly supported by findings from developed markets. Nineteen one-to-one semi-structured interviews with the users and providers of the valuation service were analysed in order to investigate issues related to the motivation and means for client influence in the financial reporting valuation. Preliminary analysis suggests that clients have strong reasons to pressurise valuers considering there are financial and tax implications to the company. However, clients claim that the main reason for their interference in valuation is related to their superior knowledge about the subject property and therefore they expect valuers to meet their value targets. Valuers maintain that they aware of clients' strategies to influence and have their own approach to cope with such influence. It is also discovered from the analysis that factors such as valuer liability, valuer integrity and method of valuation play an important role in the influence process.

Introduction

Property valuations play an important role in many aspects of business and corporate decision-making. The role of valuations in the commercial and residential lending sector is self-explanatory in that they underpin individual lending decisions. The Basel Committee on capital adequacy agreements have further emphasised the significance of valuations in the secured lending sector. Valuations also facilitate transactions in the direct and indirect investment markets considering the asset's unique characteristics compared to other financial assets. Business entities need to value their properties regularly for bookkeeping whilst institutional investors seek valuations to assess the performance of their investment fund. Although valuations are required for other individual and statutory purposes, it is the estimation of market value which is highly relevant to the decision-making activities mentioned above.

Considering the different purposes for which valuations are required, clients may have clear incentives to influence them. In fact, evidence suggests that there is a strong possibility that the part of apparent variances in value conclusions are possibly contributed by client influences (Roberts and Roberts, 1991). The situation in many ways resembles the issue of auditor independence which has generated a large body of empirical evidence in accountancy (DeAngelo, 1981; Pasewark and Wilkerson, 1989; Beattie, *et al*., 1999; Lee and Zhaoyang, 1998; Jenkins and Lowe, 1999; Reynolds and Francis, 2001; Felix *et al*., 2005) and equity analysis literatures (Siconolfi, 1992; Dugar and Nathan, 1995; Lin and McNichols, 1998; Michaely and Womack, 1999; Boni and Womack, 2002). Existing research in the area of client influence has documented the behaviour of clients in relation to financing and performance measurement valuations. However, the recent implementation of fair value accounting on fixed and investment assets requires the need to revisit the influence issue from the perspective of financial reporting purposes. Hence, this study examines the extent of client pressure and influence on valuations prepared for financial reporting of listed property companies and REITs.

The paper begins with an overview of the client influence literature in valuation; it then discusses the relevant accounting regulation and its implementation in the country context of the study. Next, it reveals the methodology before proceeding to the key findings of the study. Finally, the paper concludes with a discussion.

Client influence on valuations

Client interference in the valuation process and their influence on the valuation outcome has been a subject of recent interest in behavioural studies involving real estate valuers. Terms such as ‘pressure’, ‘feedback’ and ‘influence’ have been used interchangeably to explain this problem in the literature. Whilst the earlier studies were intended to reveal the existence of client influence, the recent studies, however, have taken a more holistic approach to understanding this phenomenon in property valuation.

Prior survey based studies in this area have shown that commercial and residential appraisers in the US are specifically pressured by clients to alter market values (Smolen and Hambleton, 1997; Kinnard, Lenk, and Worzala, 1997; Worzala, Lenk and Kinnard, 1998). In Kinnard, Lenk, and Worzala, (1997) for instance, over 90% of commercial appraiser respondents indicated that they had experienced such pressure. Similar concerns were also revealed in a survey conducted with valuers in Singapore and Nigeria (Yu, 2002; Amidu, A. and Aluko, B. (2007). Two further studies, Wolverton and Gallimore (1999) and Gallimore and Wolverton (2000) suggest that client feedback during valuation may have a strong influence on how valuers view their role in the mortgage valuation task from one that provides independent value opinion to one that just validates pending sales price. In the US, for example, commercial appraisers are more likely to confirm to pending sale price if subjected to constant environmental feedbacks and coercive feedbacks. Wolverton (2000) incorporated these feedback constructs into a regression model and concludes that environmental and coercive feedbacks are indeed influential to price validation behaviour. Client feedback pressure, however, has very little effect on valuers’ judgement in Nigeria (Amidu, Aluko and Hansz, 2008).

Hansz and Diaz (2001) tested valuers reaction to another variation of client feedback in the form of transaction price. It was found that the low transaction price feedback group participants who were told after the first valuation task that their value judgement were “too low”, responded with value judgements which were significantly higher than the no transaction price feedback in the second valuation. The experimental group that received “too high” transaction price feedback responded with lower subsequent valuations even though the group’s result was not statistically significant. These results show that appraisers are keen to respond positively to the “too low” valuations than the “too high” valuation feedback, perhaps reacting subconsciously to client pressure considering the reality that clients are most likely to challenge a valuation that is too low than one that is too high.

Prior studies also indicated that client size and the requested value adjustment are critical in the influence process. For instance, Kinnard, Lenk and Worzala (1997) tested the fear of losing clients (client size) and the size of the value adjustment requested by clients on commercial property valuers’ decisions to change their value opinion. Their analysis indicates that only client size had significant relationship with appraisers’ decision to revise their value. In other words, the bigger the client, the more likely appraisers to modify the value. On the contrary, another study with residential appraisers found that neither client size nor the level of value adjustment influenced the appraisers’ decisions (Worzala, Lenk and Kinnard, 1998).

Levy and Schuck (1999) presented a more complete account of client influence on valuations through a descriptive model which relates four contributing factors: valuer and valuation firm characteristics, client characteristics, external characteristics and valuation characteristics. The types of influence have also been incorporated into this model. Top of this themes are the client-specific characteristics, purpose of valuations and the defensible value mechanism. One of the findings of this research is the way in which sophisticated clients manipulate information passed on to valuers during the valuation process. For instance, this can be noted when clients emphasising subject property’s positive attributes, withholding negative information as well as the provision of supplementary market information. The research also highlighted some other client and valuer-related factors including the age and experience of valuers as well as the personality of valuers.

It seems older and experienced valuers are subject to more influence as they tend to rely on more subjective judgement than younger valuers. In addition, access to better and timely information on the valuers' side might avoid unnecessary pressure from clients as this gives more confidence on the reported value.

The authors' more recent in-depth interviews with "sophisticated" clients have further emphasised the ways in which clients could actually influence, not only the valuation outcome but also the whole valuation process itself (Levy and Schuck, 2005). For instance, the interviewed clients stated that their main incentives to influence valuation results were underlined by the needs for market credibility and accurate and realistic valuations. This suggests not all client influences are meant to bias reported values from market values. In hindsight, they also agreed that there were instances where the incentive to influence valuation may be based on personal gains especially with regards to performance-based remuneration. In terms of exerting power on valuers, "procedural power" also has the ability to create opportunities for the client to indirectly influence valuation outcomes. This refers to the choice of valuer, the terms of the contract and the instruction process. Another factor reiterated in the study was the definition of market value and the inherent subjectivity of valuations which further create openings for clients to exert power over the valuer.

Crosby, Hughes and Murdoch (2004) in a survey of UK commercial valuers and lenders, explained the involvement of stakeholders such as borrowers and brokers and how these stakeholders may possibly influence decisions within valuation for secured lending. It is clear that borrowers and brokers are involved in the selection of the valuer even though bank clients claim that they strictly follow their panel list. In some cases, borrowers are allowed to choose a non-panel valuer if the bank is familiar with the firm concerned (Crosby, Lavers and Foster, 1998). Athough the panel valuer system seems to dictate the selection of the valuer, it is still the prerogative of the respective bank whether to accept or not. This indicates there is still room for borrowers and brokers to exert some influence on the selection. The influence on the valuation figure understandably happens in the process of completing the valuation report and when the information about value is communicated to client before the final report. There is clear evidence from this study and prior work by Levy and Schuck (1999) in New Zealand that sending a draft valuation report to client has been a common practice in the work environment.

Crosby, Hughes and Murdoch (2004) reported that there was a strong opinion among valuers interviewed that any discussion relating to draft valuations were not concerned about the value.

The same concerns were also raised in relation to UK property portfolio valuations (Baum, *et al* 2000). The results overall indicate that there are elements of overt influence in the process in particular from fund managers considering their interest in the performance of portfolio assets. The motive is, therefore, to portray an upward trend in values and the draft valuation meetings may be used to impose this intention on the valuer. In contrast, the valuer interviewees insisted that they are well-equipped to deflect any pressure from their clients to increase the draft valuation unless their argument is evidence-based. There was also an indication from the interviews that the smaller and less-diversified firms because of their economic dependence on the specific client may put them in a weaker position to negotiate during draft valuation meetings. The research also suggests that about 20-50% of valuations would normally be challenged at the draft valuation meeting and a 50% out of this proportion are more likely to change in value (Baum, *et al* 2000:34). Moreover, it is also self-evident that performance-based bonuses and the use of December valuation by IPD in the UK may explain some of the efforts by fund managers to influence valuers. Crosby, *et al.,* (2009)'s recent study on performances measurement valuations in the UK show that client influence could be one possible explanation for the differences in the capital return falls among different type of funds during the second half of 2007.

IFRS and Valuations for Financial Reporting

The recent adoption of International Financial Reporting Standards (IFRS) by public listed companies world-wide necessitates as one of the accounting options to incorporate the fair value of fixed assets and investment properties on the financial statements. More specifically, this concerns the valuation of real estate assets which belong to property, plant and equipment (PPE) category and investment property category currently reported by corporate companies in their financial accounts. Fair value is defined as "the amount for which and asset could be exchanged between knowledgeable, willing parties in an arm's length transaction" (IAS 16). This definition augurs well with the definition of 'market value' that has long been used by valuers in determining the value of real estate.

Therefore, the introduction of fair value accounting effectively formalised the role of valuers and valuations in financial reporting of public companies. Separate rules accounting for PPE and investment property are delineated in IAS 16 and IAS 40 respectively.

Nevertheless, what actually determines the use of valuer's value in accounting is the measurement policy of the company. First, a particular company needs to establish which are the items of PPE or investment property should be earmarked as assets. Whether or not an item can be categorised as an item depends on its ability to produce future economic benefits to the company and whether the cost of the item can be measured reliably (IAS 16.7/FRS 116 Paragraph 7). This is indeed an accounting definition for an 'asset'. In addition, the company directors will have to identify whether the asset is currently "held for use in the productions or supply of goods or services, for rental to others, or for administrative purposes" or "held to earn rentals or for capital appreciation or both" (IAS 16; IAS 40). The former can be generally classified as operational property whilst the latter as investment property. At this recognition stage, all these assets will be measured at cost regardless of whether they are being held for operation of the company or investment purposes. Subsequently, companies are allowed to choose either to continue with the cost model or change to fair value model[1].

IAS 16 emphasises that the change in measurement policy must be applied to the entire class of asset and disclosed in the financial statements accordingly. In other words, when an office building is revalued, the entire class (land and buildings) to which it belongs should be revalued simultaneously[2]. This is to avoid cherry-picking of assets for revaluation and the mixing of values and costs as at different dates. According to IAS 16.34, the frequency of these revaluations may vary from annual to every 3 or 5 years depending on the volatility of fair value of an asset or asset category. While there is a general recognition on valuers' capability to undertake the fair valuation in IAS 16, it is surprising to note that entities are only "encouraged, but not required" to use the services of a qualified professional valuer especially in valuing investment properties[3].

[1] The cost model option is not available if the reporting entity (lessee) has chosen to recognise a property interest held under an operating lease as an investment property, in which case fair value must be applied to all items classified as investment property (IAS 40.6 and IAS 40.34).
[2] IAS 16.36 and IAS 16.38
[3] IAS 40.32

Changes in value arising from revaluation of PPEs should be credited directly to equity under the heading of “revaluation surplus” and adjusted accordingly in the income statement to off-set previous income or loss charged for the same asset. On the other hand, any surplus or deficit arising from valuing investment properties should be recognised in the income statement.

Valuing real estate assets for financial reporting purpose has been a recent experience for Malaysian valuers. In Malaysia, the implementation of these new IFRSs came into effect in 2006-2007 financial periods[4] of listed companies. The Malaysian equivalents of IAS 16 and IAS 40 currently are FRS 116 Property, Plant and Equipment and FRS 140 Investment Property respectively. These two FRSs are consistent with the IASB issued standards with the exception of the transitional provisions[5] provided under the MASB Approved Accounting Standard IAS 16, Property, Plant and Equipment (PricewaterhouseCoopers, 2007). The author’s analysis on annual reports of listed companies in Malaysia informs that almost all public listed companies carry their property, plant and equipments at cost in the balance sheet. By and large, the introduction of fair value accounting principle does not change this practice including of property companies. Some companies choose to maintain previous one-off valuation of their land and buildings as per the transitional provisions under the MASB Approved Accounting Standard IAS 16 but do not update these values. Only a small number of companies do revalue their operational assets such as freehold land and buildings at least once in every five years.

[4] However, earlier application of the relevant international accounting standards especially for PPE can be traced back to year 1998 when the Malaysian Accounting Standards Board (MASB) first adopted IAS 16, Property, Plant and Equipment as an approved accounting standard (referred to as MASB Approved Accounting Standard IAS 16) and later through MASB 15 and FRS 116_{2004}. The MASB also initially issued rules relating to investment property accounting through FRS 125_{2004}, Accounting for Investments in 2002. The part of FRS 125_{2004} dealing with investment property is now superseded by FRS 140.

[5]The transitional provisions issued upon the first implementation of IAS 16 in Malaysia permits public entities that do not have a regular valuation policy but may have previously used revalued amounts for any PPE to continue use the previous revaluation amount as the carrying amount, subject to continuity of depreciation and impairment adjustments. However, the transitional provisions are only applicable for those entities which had availed themselves of the transitional provisions upon the first application of the MASB Approved Accounting Standard IAS 16 in 1998. This is also applies to investment properties which may have been treated in the same manner as the PPEs at the time of implementing the MASB Approved Accounting Standard IAS 16 for the first time.

The situation with investment properties to some extent is more encouraging than for PPEs as companies generally recognise fair values in the balance sheet. Another variation to this accounting policy is the practice of disclosing the fair value in the notes to financial statements. The revaluation of investment properties is normally carried out by professional valuers more commonly every 5 years or determined by the company directors. It is more likely that any interim valuations will be undertaken by the directors themselves rather than by a valuer. REITs, on the other hand, must revalue all their investment properties every three years as per the Securities Commission Malaysia's (SC) requirement[6] and during the interim periods are understood to make use of either valuation updates from valuers or directors' valuation for financial reporting.

Therefore, valuation instructions for financial reporting are more likely for investment properties than for operational real estate assets in Malaysia. Moreover, the instructions to value these investment assets might come from various sectors listed on Bursa Malaysia and not only from companies listed on the property sector. Table 1.0 and Table 2.0 tend to confirm this view. This is mainly because of the diversified business nature of Malaysian corporate companies. As a result, non-property sectors such as construction and industrial products may also own significant number of real estate assets including investment properties. Conversely, the property sector of Bursa Malaysia lists is largely dominated by companies, whose principal business is developing and selling residential properties. These companies also invest in other businesses and subsidiaries such as plantation, hotel business, construction and investment holding. It is no surprise that these companies carry a large amount of development land and PPEs as their non-current assets than investment properties. Thus, there is only a small number of property companies in Malaysia specialises in real estate investment that would need a regular valuation of their investment portfolio. However, it is reasonable to assume that more valuation instructions for balance sheet purposes should come from listed property companies and REITs rather than from non-property sectors. That justified the decision to focus the current research on listed property companies and REITs.

[6] 10.03, Chapter 10, Guidelines on Real Estate Trusts

Based on this research background, this paper examines the extent of client pressure and influence on valuations prepared for financial reporting by listed property companies and REITs. As a case study, Malaysia provides a different perspective to the existing literature which has been mainly supported by findings from developed markets. This different purpose of valuation provides an opportunity to study and compare the existing knowledge on client influence which has been mainly centred on valuation prepared for lending and performance measurement purposes. Given that there are different client motivations and strategies to influence valuers, there might be different client behaviour when it comes to financial reporting valuations. In particular, we might see this behaviour is closely aligned to controlling reporting entities' financial performance.

Table 1.1 Revaluation policy of selected property companies

Name	Principal business	Revaluation policy	Explanatory notes
Sime Darby Berhad	Plantation Property Motors Energy & Utilities Healthcare	PPE: Cost model IP: Cost model	The carrying amount of certain land and buildings are maintained at 1978's revalued amount as per the transitional provisions under the MASB Approved Accounting Standards IAS 16 Property, Plant and Equipment. Although stated at cost in the balance sheet, the total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This figure is claimed to have been given by a professional valuer.
SP Setia Berhad	Plantation Property development Construction & Infrastructure Manufacturing Investment & Property Holding	PPE: Cost model IP: Cost model	Although stated at cost in the balance sheet, the total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This figure is claimed to have been given by a professional valuer.
Sunway City Berhad	Property development Property investment Leisure Hospitality Healthcare	PPE: Cost model IP: *Fair value model*	Fair value is determined by a registered independent valuer.
IGB Corporation Berhad	Property development Property investment & Management Hotel Construction	PPE: Cost model IP: Cost model	Under PPE, only hotel land and buildings are stated at fair value based on "periodic valuations by external independent valuers". The reported value is based on 2006 valuation. Although stated at cost in the balance sheet, the total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This figure is based on valuation by valuers or management estimates.

IOI Properties Berhad	Property development Property investment Investment holding	PPE: Cost model IP: *Fair value model*	PPEs that are part of a business combination[7] are recorded at fair value.
Country Heights Holdings Berhad	Property development Investment Hospitality, Leisure & Health	PPE: Cost model IP: *Fair value model*	Hotel properties, exhibition centre and showroom under PPE category are stated at fair value. The carrying amount of certain land and buildings are maintained at 1994's revalued amount as per the transitional provisions under the MASB Approved Accounting Standards IAS 16 Property, Plant and Equipment. Fair value is determined by registered independent valuers.
Selangor Properties Berhad	Property investment Investment holding Education	PPE: Cost model IP: *Fair value model*	The carrying amount of certain land and buildings are maintained at 1980's revalued amount as per the transitional provisions under the MASB Approved Accounting Standards IAS 16 Property, Plant and Equipment. Fair value is determined by the company directors with reference to comparable transaction prices and valuations by registered independent valuers.
KLCC Property Holdings Berhad	Property investment Investment holding Management	PPE: Cost model IP: *Fair value model*	Fair value is determined by registered independent valuers.

[7] This is in accordance with FRS 3 or IFRS 3 Business Combinations, which requires entities to report fair values of all assets acquired and liabilities assumed as part of a business combination. Business Combination happens when an acquirer gains control of one or more businesses or through merging of different operations of entities into single reporting entity.

MUI Properties Berhad	Property development Property investment Investment holding	PPE: Cost model IP: Cost model	An investment property of the company (freehold land) is carried at 1982's revalued amount as per the transitional provisions under the MASB Approved Accounting Standards IAS 16 Property, Plant and Equipment. Informal advice is sought from professional valuers in assessing the carrying value of the investment properties. Although stated at cost in the balance sheet, the total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This figure is based on directors' estimate.
MEDA INC. Berhad	Property development Property investment	PPE: Cost model IP: *Fair value model*	Freehold land and hotel buildings under PPE are stated at fair value. Only these assets are revalued by professional valuers at least once in every 5 years. Fair value of investement properties is determined annually by registered independent valuers.

PPE: Property, plant and equipment
IP: Investment property
Source: Annual audited accounts of respective companies for the financial year ending in 2008. These accounts can be accessed from Bursa Malaysia website at www.klse.com.my

Table 1.2 Revaluation policy of companies from other listed sectors

Name	Listed sector	Revaluation policy	Notes
General Corporation Berhad	Construction	PPE: Cost model IP: *Fair value model*	Fair value is determined by professional valuers.
Merge Energy Berhad	Construction	PPE: Cost model IP: *Fair value model*	Revaluation once in every 5 years
Muhibbah Engineering (M) Berhad	Construction	PPE: Cost model IP: Cost model	FH land under PPE is revalued every 5 years or at a shorter period
Oriental Holdings Berhad	Consumer products	PPE: Cost model IP: Cost model	Real estate assets recognised as a result of business combination are stated at fair value. The total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This value is estimated by the directors.
Pan Malaysia Corporation Berhad	Consumer products	PPE: Cost model IP: Cost model	The total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This value is determined by valuers. The total fair value of investment properties is disclosed in the "Notes to the Financial Statements". This value is estimated by the directors.

Name	Listed sector	Revaluation policy	Notes
UPA Corporation Berhad	Consumer products	PPE: Cost model IP: *Fair value model*	Fair value of investment properties is determined by professional valuers every 5 years. During the interim periods, the directors' estimate is used for reporting.
Gula Perak Berhad	Hotels	PPE: Cost model IP: *Fair value model*	Hotel land and buildings under PPE category are stated at fair value based on external valuation. There is a policy within the company to revalue every 5 years.
MIECO Chipboard Berhad	Industrial products	PPE: Cost model IP: *Fair value model*	Fair value of investment properties is determined annually by external valuers.
KNM Group Berhad	Industrial products	PPE: Cost/valuation model	The company's buildings are revalued every 5 years by an independent valuer.
Chemical Company of Malaysia Berhad	Industrial products	PPE: Cost/valuation model IP: *Fair value model*	The company has a policy to revalue its land and buildings every 5 years by an independent valuer. Investment properties are revalued annually or at a shorter period by valuers.

Name	Listed sector	Revaluation policy	Notes
TDM Berhad	Plantation	PPE: Cost/valuation model Biological Asset: *Fair value*	Certain buildings and freehold land are revalued at least once every 5 years by professional valuers. Plantation development expenditure[8] is revalued at least once every 5 years by professional valuers.
Kim Loong Resources Berhad	Plantation	PPE: Cost/valuation model	The company revalues its freehold land at least once in every 5 years. Valuation advice is given by a valuer.
Kulim (Malaysia) Berhad	Plantation	PPE: Cost model IP: *Fair value model*	Investment properties are valued by the directors based on independent valuation.
Progressive Impact Corporation Berhad	Trading/Services	PPE: Cost/valuation model IP: *Fair value model*	Freehold land and buildings and investment properties are stated at fair value with regular revaluation undertaken by professional valuers.

PPE: Property, plant and equipment
IP: Investment property
Source: Annual audited accounts of respective companies for the financial year ending in 2008. These accounts can be accessed from Bursa Malaysia website at www.klse.com.my

[8] Plantation development expenditure refers to the costs incurred from the initial stages of plantation until the maturity of the crops.

Data collection and analysis

The main aim of this study was to explore the extent of client influence on valuations prepared for financial reporting. Considering the sensitivity of the issue, it was regarded best to approach the study using qualitative methodology as this approach offers flexibility and explorative style of research. This approach is suitable for studies which are generally interested in understanding processes and meanings underlying a phenomenon (Taylor and Bogdan, 1998). The flexible and relatively open-ended style of qualitative approach permits the researcher to approach the client influence phenomenon inductively and broadly from the perspectives of valuers and their clients. The need to obtain detailed information on this sensitive issue also demanded one-to-one semi-structured interviews with respondents. Separate interview schedule was prepared for clients and valuers and these schedules were pilot tested during the earlier interviews with some of the respondents. The later interviews incorporated some of the questions not previously considered by the researcher. Both sets of interviews were included in the analysis in order to improve the number of respondents.

The analysis on annual reports of property listed companies and REITs was utilised to identify potential respondents for the interview. Property company client sample, for instance, comprised of 25 companies which practice revaluation policy of their either operational or investment properties. In REITs' case, all 12 funds were included in the sample. These annual reports also disclose information on valuation firms from which fair values were obtained and this information was used to identify the sample for valuation firms. As a result, the sample can be construed as 'convenient' or purposeful. A total of 9 valuers, 5 property companies and 5 REITs agreed to participate in the interview. The majority of client respondents held senior executive positions such as chief financial officer and general manager whilst valuer respondents were all registered valuers with ten years or more commercial valuation experience in Malaysia. Once the agreement to participate in the interview was secured, a meeting was organised at the interviewee's office.

As stated earlier, the sensitivity of the topic under investigation required the researcher to start the interview with opening questions which are mainly focused on the stages of valuation for financial reporting. This concerned the valuation process from instruction to reporting and will not be discussed in this paper.

Once the respondents seemed comfortable and relaxed with the topic, the interviewer began to probe on client influence issues. First, the interviewer approached the interviewee with a hypothetical scenario rather than direct questions. The hypothetical scenario was simply regarding a situation where the client may have value differences with the valuer and how he or she might react. While clients begin to explain how they might react to the situation, further probes were made to clarify their response without causing undue upset or distress to the respondents. Thus, the discussion on client influence was allowed to emerge gradually during the course of the interview. Follow-up questions and prompts were used in order to ascertain that the interviewees were specifically referring their experience to financial reporting valuations rather than to other valuations. The responses were then recorded and transcribed. The shortest interview time was 45 minutes whilst the longest interview lasted for about 90 minutes.

Interpretation of findings was based on a coding process as recommended by Miles and Huberman (1994). The first stage of the coding process was mainly focused on finding the initial themes or classification of responses into relevant ‘nodes’ with the help of qualitative data analysis software NVivo 8. In other words, the first stage of coding provided a coding scheme for the remaining transcripts. The second and third stages of coding were used to redefine the previous themes as well as to add new themes until there was no other new information extracted from the transcripts. This was the stage where saturation considered had been reached. The same process was repeated for the other set of interviews.

Findings

Motives to influence

One of the issues probed during this part of the interview was related to the question of why clients would want to influence valuations carried out for financial reporting. The answers, particularly from valuers, offered some indications as to the motives behind this client behaviour. It appears that these motives are mainly related to minimising the effect of valuation on income statement and net asset value of the company. There were also some suggestions that the motive to influence is driven by tax obligations. The following quotations suggest that clients might want to influence financial reporting valuations in order to reduce the effects of gains and losses arising from revaluation of real estate assets on the income statement of the reporting entity. A loss, for example, will reduce the profit reported by the company and vice-versa.

One of the interviewees expressed his concern about the fact that value adjustment in the income statement year after year provides an uncertain financial condition of the entity. One valuer respondent remarked that increase in asset values also needs to be justified by the management of the company to the shareholders. *Valuer_9* indicated that there is a possibility that valuers are being used as a 'scapegoat' for the benefit of the client. The respondent suggests that the director of the company could pressurise the valuer to endorse an outcome of valuation that he or she prefers. In this context, it is not clear as to the direction of the valuation outcome and the motivation behind this action.

> *"As you know, under the FRS, if your value is lower than the book value they have to take it off as a loss to the company. So, they are very concern about it" – Valuer_7*
>
> *"It will affect the accounting even it is high you see. If high also they have to provide…it must be justified lah because they have to explain to their shareholders." – Valuer_3*

"[With the] latest FRS it could impact your p & l [profit and loss] quite substantial year to year basis. For example, if you go on yield basis, so happen today that I have fully tenanted; I have maximised my valuation, for example. But, when comes to next year so happen is a downturn probably we can rent out 70%. I would have a lower valuation based on that basis you know. Then, it hit straights to my p & l. But, the following year, when the economy bounces back, I will record a higher valuation. It is like yo-yo you see which is one of the biggest setbacks"- PC5

"I tell you accountants work wonders with numbers. But, they need supporting evidence. With FRS one thing, if the director said they can choose to have a statement from the director. The director also can confirm or dictate but if he misleads he will be responsible. Obviously, they do not want to be held accountable so they get a valuer. If they get a valuer, if they dictate certain terms and if the valuer adheres to then I'm sorry to say…to hear that." – Valuer_9

In addition, there were indications that clients' attempts to bias financial reporting valuations are related to their intention to control the net asset value (NAV) of their company. As one REIT respondent implied, the valuation of assets has to be at a 'comfortable' level in order for the company to maintain a certain level of NAV in comparison to the current share price. The level of NAV set by the company appears to be based on the investment strategy of the company. It can be construed from the respondent's explanation that companies, particularly REITs, might want to report values so that the difference between NAV and share price will be at a level which is appealing to investors. Therefore, there is a logical reason for clients to interfere and show interest in the outcome of valuer's work.

"When it comes to accounting it is different [laughing]. Because, when it is too high it is difficult to justify. Sometimes we don't want it too high; we don't want it too low. Because we are a listed company, if it is too high, the price difference between the market price and the valuation can be a big different, when the investors look at why the price difference is too much…If NAV is too much, we have to [consider] "Hey, why your market price is not moving". So, we don't want it too high, we don't want it too low it depends on what your strategy. We can't ask valuation to be much [at] discount or at premium; it has to be at comfortable level."- REIT_4

"Either there is an impairment which brings down the asset value which in turn at the end of the day will tell you what is your net tangible asset, the value of shares. When they do the reporting, that could affect their share value." - *Valuer_9*

Another motive to influence financial reporting valuations seems to be associated with the obligation to pay tax as a result of change in fair values or transfer of assets between companies. Valuers' remarks below indicate that companies will try to understate the increase of asset values on the balance sheet in order to avoid paying higher corporate tax. Furthermore, as one other respondent highlighted, transferring real estate assets between companies or subsidiaries also involve tax in the form of real property gains tax. However, the remark on corporate tax obligation is confounding because the gains or losses recorded in income statement after fair value exercise are unrealised values that do not qualify for tax consideration. As a result, there should be no tax implication to the reporting entity. In the context of property gains tax, changing the classification of the asset within the balance sheet, for instance, from investment property to inventory or from property under construction or development to investment property entail the payment of tax under the Real Property Gains Tax Act 1976. Although not specifically mentioned by respondents, one other situation where tax issues may arise is during acquisitions of assets as part of business combination exercise. FRS 3 Business Combinations underlines the use of fair value in measuring the value of these assets. Hence, further clarifications are needed on this issue in order to validate whether tax effect is another motive for clients to influence financial reporting valuations.

"In some instances, they want to transfer between companies; they want to save some tax. They want to take advantage on impairment of value. These are the reasons …some because of the tax purposes and you see all of this kind of" – Valuer_5

"Similarly, if your asset value moves too high over the year and they might want to curtail it not to increase it so much because then there is a tax element there that they got to pay to the authority although you physically don't receive it. This is where the companies want to cheat the public especially the listed companies. Then, obviously they want to hold this together either try to minimise the gain or try to bring in" – Valuer_9

Clients' strategies to influence

The means or strategies used by clients appear to be wide-ranging, from providing unreliable information to direct pressure to change the valuer. Most of the respondents indicated that they have sufficient knowledge about the value of their property and will use that knowledge to try to convince the valuer. This is arguably because they have been the property owner and managing their property for a significant period of time. They appear to be very confident that this experience is sufficient for them to foresee the value of the property. In fact, this knowledge on value eventually becomes an expectation on value, which they anticipate will be validated by the valuer. Therefore, clients could be able overwhelm valuers who are inexperienced and lacked expertise in certain area of valuation.

> *"It is not that because we don't know and we roughly know the value but we need a third party to actually verify this is the value." – PC2*
>
> *"The client will always have the [an] expectation of value." – PC3*
>
> *"More or less we know the value" – PC4*
>
> *"Maybe, sometimes you know it is like borderline then we may say, "Ok, this should be going up rather than going down because here last year we did replanting it should be going up". – REIT_3*
>
> *"We would say we are managing the REIT" - REIT_4*
>
> *"Because I'm the building owner, I manage this building day-to-day. I know better than you." - REIT_5*

It was also noted that some clients may even try to argue with the valuer regarding certain information used in the value analysis. For example, they can be critical about the capitalisation rate and rental income applied in the investment method of valuation. One client in particular suggested that his valuer had to "create something" to achieve his company's value target. It is clear that by questioning the valuer's judgment, clients are actually exerting indirect pressures on valuers.

“[It] rarely happens but a lot of times they could come and try to influence you. They would argue; they will tell you, “Why do you put a discount rate like that?” Why it shouldn’t be like this?” – Valuer_8

“Of course, we have to convince them lah; probably we will argue why you use this rate why use that rate. For example, under investment [method], ok this one is empty is not even generating an income then we can justify “Oh, we have a site but we only [the lease is] effective [from] next month so we have a reason to book in as a valuation. That kind of so called, technical reasons lah… [It is] not so much that we disagree totally, no” – PC5

“Ok, if the market is not there [if there is no evidence to support the value] then create something.”- REIT_1

“So, there was I sitting in front of whole range of guys, the financial controller, the boss, the marketing manager and everybody all sitting in there and try to out-argue me on point-by-point on the whole valuation.” - Valuer_8

Moreover, clients indicated that they might use the differences of value opinion among valuers as a justification to pressure valuers to increase or decrease valuation. They believe that 5-10% revision in value is acceptable in practice and therefore it is not wrong to demand such revised value from the valuer. They also seem to understand that the inherent subjectivity of valuation opinion and how this can be used for their advantage. Nevertheless, the client respondents stated that it would be difficult to persuade valuers to change the value more than the 5-10% range.

“Normally, plus minus 10% [is] quite acceptable” – PC1

“Valuation is an opinion.” – REIT_5

“They do listen to me but not that significant. Any valuer there is some…if you take three valuers, they give three different figures. So, they negotiate among themselves plus minus. Normally, plus minus 10%” - REIT_4

"Maybe plus minus as I said about 5-10% if more than that they will not accommodate." - PC1

"For accounting we are not so… how shall I put it, we don't expect…I mean we don't demand that high. It means basically if you say ok around there [it is fine] oklah plus minus this one will be ok because it is for accounting purpose only. It is to comply with the rule." – PC3

"Maybe 5% they can help you out. They cannot go over than that." – PC4

"They are willing to listen to us and accommodate us." – REIT_3

"I mean [in] valuation there are limits. [If] the value is A it cannot go run off so much. There is a limit say 10%." – Valuer_3

Similarly, there were suggestions during the interview that clients could try to influence valuers by providing certain information which may not be true at the time of valuation. According to valuer respondents, these clients will usually provide unsubstantiated information such as future development activities surrounding the subject property in order to convince valuers that the value is achievable in the market. Others might argue that they have secured tenants for their premises even though there was no document or lease agreement presented to the valuer at the date of valuation. However, it must be said that these types of information can be easily verified by the valuer before taking into consideration in their analysis.

"Of course they will try to convince you. I think generally what they will try to do is they try to convince you by giving you data which is mostly hearsay." – Valuer_5

"They might probably tell you there is some massive development that has been approved which will have enhanced value on this site eventually. But, how far it is going to be realisable you know? These are the things that we need to take into account although the client themselves feel this is bound to happen and they are probably prepared to pay above market rate. Will the market pay above?" – Valuer_2

"For example, Oh, why this one [lease] expiring soon? Do we [have] one [new tenant] to replace or not? So, because when it comes to investment it is very important in terms of income generation. So, we have to justify lah; we have this this, this in place so on and so forth. We have to show some proof that yes we have prospective tenants; they have paid deposit matter of coming in two to three months down the road." – PC5

Apart from these efforts, it is also possible that some clients may directly approach valuers and let them know what kind of value or revised value they are expecting from the valuer. In some cases, they might even threaten to switch to another valuer if the current valuer is not willing to provide the value that they want. Compare to other strategies, this is certainly more direct and unethical attempt by clients to influence valuers.

"We tried lah I mean we can talk about we need to have extra whatever; we can talk to them." – PC4

"We find another valuer. Different valuer got different opinion so we find other valuer. No problem for us." – REIT_1

"If I feel that it is does not meet the company target, then I have to tell them to either you revise your valuation or I have to find a valuer that [who] can meet our target of value." - REIT_1

"If they are not ok maybe they will find another valuer." – Valuer_4

"Some of them can react pretty badly; they can say, "Look, we don't accept your report. We want to use somebody else"- Valuer_8

Valuer strategies

In addition to questions on why and how client influence might happen, respondents were also asked questions about the valuer's reactions and strategies to cope with such pressure or influence. According to client respondents, one of the initial reactions from valuers would be to ask the client side to justify their claim by providing relevant information. Others variably would try to justify their value to the client. One client respondent mentioned that the valuer would normally "come back with a closer figure".

Valuers, on the other hand, stressed the importance of giving thorough explanation and make the client understands the basis of their value opinion whenever being pressurised by clients. Some suggested that they would clarify how they derived the value and the liability of their valuation opinion to fend off any pressure from the client. These statements suggest that valuers should be able to relate their knowledge and experience to the subject property valuation and communicate how these lead to the said value judgement. In essence, they are also educating the client as to the mechanics of valuation. This depth of knowledge and working experience is vital in discouraging any unnecessary approach from clients. As one valuer pointed out, it may be necessary for valuers to possess a high level of competence in order to successfully overcome client pressure.

"It is just a matter of justifying and explaining and telling them that look, every of the value or the opinion that we provide is substantiated; we must be in a position to put on the stand and question on value and we should be able defend our figures." – Valuer_2

"I think you need to explain to them how we derive values, how we estimate values or give opinion on values so that they understand. Sometimes they don't understand. We cannot assume they understand valuation. You have to explain to them."- Valuer_3

"I'll try to explain why this figure"- Valuer_4

"You've got to explain to them; you have got to explain adequately. You must have the competence to explain it." – Valuer_8
"They will always come up with their own justifications [as to] why because the market is not there whatsoever." – REIT_1

“So, it is a challenge; you’ve got to face that challenge. You’ve got to be competent; you’ve got have integrity not normal level of competence but high level of competence which comes with a lot of in-depth knowledge of the market.” – Valuer_8

Other than trying to make clients accept their explanation and value, some valuers informed that they would avoid these client pressure situations by clarifying their position in advance to the client. They claimed that they will not let clients to dictate from the start or give any indications to clients that they would be able to give the value that the client requests. Thus, they imply that having a clear understanding on each other’s responsibility from the early stage of valuation will not give rise to arguments over the outcome of valuation during the later stages of valuation process.

“This is a question of how you manage your client expectation. Of course, from very point of taking instruction, you have to step your feet firmly telling them ok you are doing this [and you] have to look at it objectively…You should not in anyway mislead them to believe that you will be able to meet their expectation 100%.” – Valuer_5

“From the start, we tell our clients [that] we don’t get dictated.” – Valuer_9

Moreover, valuers argued that it is important that they remain firm with their value whenever pressurised to change by clients. However, if the clients provide reliable evidence and information, valuers will consider revising the value.

“We stick to our values” – Valuer_1

“We have to stick with our figure.” – Valuer_9

“I will not follow to pressure. I have my basis on what the maximum I can give.” – Valuer_4

They sometimes they have the evidence. We will ask them to show us. So we check so ok sometimes we need to go and see. If there are reasons to increase, we will do it. – Valuer_1

"It is important for us to see whether whatever facts and figures given to us are realistic or whether or…value is a market perception. If the market doesn't recognise that element of advantage they are given to us or demonstrating, then, we don't take that into account." – Valuer_2

"So, when I highlight to them they feel that my justification is ok then they'll appreciate [my justification]" – REIT_5

Ultimately, as some valuers indicated, they may be forced to withdraw from undertaking the valuation if the client still insists on pressing for a different valuation figure. These respondents remarked that they have had lost clients because they could not promise to satisfy the client's value target. They suggest that valuers should be prepared to lose such clients.

"If you think you can't do the job you just abort the job." – Valuer_7

"If the client has got his own view of the value and we as valuers do not agree then we don't take that assignment."- Valuer_9

"It happens many a times and many a times we have lost clients on the ground."- Valuer_2

"I think if we don't feel comfortable…we tell them we are sorry we can't do that because of this"- Valuer_5

Other client influence factors

Overall, the study also shed some light on a number of issues which could explain the client influence phenomena in valuation. These factors are not only specific to financial reporting valuations but generally affect all other valuation purposes. These are discussed below:

Valuer liability

The results suggest that valuer's legal responsibility plays a significant role in client influence process. The quotations from respondents show that clients generally aware of the liability of valuer's opinion. They seem to relate liability to the fact that valuers are only willing to accommodate their request as far as it can be justified in their decision. This was also reflected in valuers' remarks which indicate that valuers are not willing to incorporate any information that might not be justifiable in their value analysis. It appears that the liability factor restricts not only whether to support the client's request but also the extent to which valuers are prepared to alter their valuation. The analysis shows that 5-10% adjustment is normally sanctioned by the valuers at the request of clients. It is possible that valuers may consider the 5-10% value adjustment is a safe range to fall upon and therefore will not cause any liability issue. Moreover, it can also be implied that valuers are taking advantage of the 5-10% margin of error or variation which is commonly accepted by valuers in practice.

> *"I suppose when I got request at certain value they must also justify themselves because we are going to sign off this thing you know" – Valuer_3*
>
> *"It is a tough job but I have the responsibility because I have got to worry about the integrity of the firm. That is a huge responsibility."- Valuer_8*
>
> *"You see we can advise them to change the value but it goes back to [the person] whom going to sign the report. The liability is with the person whom going to sign the report. We can say, we can force that, "ok look, we are your client you have to follow me. This is the figure that I want". But, it is still going to end up with you, the person whom going to sign the report. There is nothing much we can do except to change the valuer who can meet our target."- REIT_1*

“Well, based on the experience I have had, I would say that generally they have their own standard of ethics. It is like this the same as accounting profession or as any other profession. They have flexibilities in the sense that they from my experience they do try to accommodate; it is not that something they don’t but they accommodate is to a certain extent.”- REIT_3

“So, in the sense that even if you request something if they cannot make sense for the value [or] it is not justifiable they won’t agree to it. So, that’s good.” - REIT_3

Valuer integrity

‘Integrity’ is another word repeatedly mentioned by valuers in acknowledging the importance of professional ethics and values in dealing with clients. They insisted that valuers must show a high level integrity in their job in order to protect their reputation and long term survival in their business. One respondent, for instance, categorises the valuer who lacks integrity as a “bad valuer”. Another respondent suggests that valuers must prioritise their role as professionals rather than businessmen. Indeed, this is a challenging situation for valuers and other professional service providers considering their reliance on certain clients for fee income. This question will be further explored in analysis on client-valuer relationship.

“We have our integrity”- Valuer_1

“You have to be professional first; businessman second. I know some of valuers think they are businessman. You have to ask yourself what sort of valuer of competency or work ethics because to me to get a licence is a big responsibility.”- Valuer_5

“There are some [valuers] who are bad because they are actually lack in integrity.”- Valuer_8

“Integrity is very important”- Valuer_9

"As valuers, we have to be very cautious. We don't want to spoil our reputation because you make one deal with this client and you make 100k and you out of the panel or in 10 years you make 1 mill and then you [still] have a company which is running"- Valuer_2

Valuation approach

Analysing both client and valuer interviews also suggest that the choice of valuation approach in particular the method of valuation has its effect on the client's ability to influence valuations. There were indications, for instance, there is less room for arguments from clients if the valuation is based on investment or income method of valuation. This was mainly because of the detailed reasoning of the valuation as compared to the comparison approach. This explicit approach to valuation also means that valuers will be able to justify and convince their clients logically without giving them opportunities to influence. It also appears that reducing uncertain inputs from the analysis of value may encourage less interference from clients. For instance, one REIT respondent explained how the structure of their retail operation model operates on the basis of high base rent instead of base rent plus certain percentage of sales. In this arrangement, the turnover rent is only paid if it is higher than the base rent. This according to the respondent reduces the uncertainty with regards to forecasting of the turnover on the part of valuers. As a result, the respondent claimed there was less 'disagreement' with their valuers and therefore possibly less pressure on valuers.

"For us, it is straightforward because we base on tenancy. We eliminate a lot of subjective matters here."- PC5

"Because our operational model is like that, we don't really need to forecast turnover rent so we move a large part of the element of variability in our operational budgeting and so on. It is easier too for valuers. Because our models we are concerned with it, there are a lot less room for disagreement there."- REIT_2

Discussion

This study essentially provides further evidence of client influence on valuation. The focus on a specific purpose of valuation has helped to discover some other motives why clients might want to influence valuations. In valuation for financial reporting, the motives are aimed at reducing the effect of revaluation on company earnings and NAV. Recent studies which investigated companies' motives for revaluation of fixed assets tend to concur with this finding particularly on how upward valuations tend to improve companies' borrowing capacity (Missonier-Piera, 2007; Jaggi & Tsui, 2001; Lin & Peasnell, 2000; Black *et al.,* 1998).

The findings on how clients might try to pressurise or influence valuations for financial reporting have more similarities than differences with the existing literature. In most cases, clients believe that they have better knowledge about the value of their property compared with valuers. This claim appears to be associated with their experience in the property market and managing the asset. As a result, these "sophisticated clients" (Levy and Schuck, 1999) think that they have certain authority over valuers and use this power to exert pressure on them. This includes challenging and questioning the valuer's decision-making capability. Levy and Schuck (1999) define this type of influence from clients as "expert power" in their client influence model. It is also clear that although clients have certain knowledge about valuation, they fail to see the idea of market value from the valuer's standpoint. In other words, the value of the property to the owner may not be the same as the value of the property as collectively viewed by potential buyers in the market. Hence, clients' lack of understanding of valuation principles can be another contributory factor for client influence.

In addition, clients are eager to take advantage of the fact that valuation is partly characterised by individual judgement and therefore tend to believe that altering the valuation 5-10% will not affect the integrity of valuers. At least, this is an inducement for them to test the valuer's determination to persist with the value. Levy and Schuck (1999) accounted this factor under valuation issues theme. Providing anecdotal information to the valuer in order to support their argument for value change is also noted among clients.

It is also worrying to note attempts such as informing valuers of what value is required as well as threatening them to opt for another valuer ("coercive power") if they could not achieve the required value are other possible but least prevalent means learned from respondents. The analysis on interviews also shed some light on the strategies used by valuers to cope with client pressure and influence. It is also interesting to know that valuers applying these strategies are able to maintain both their professionalism and a good client-valuer relationship. This study also reaffirms the role of valuer liability, valuer integrity and method of valuation in the influence process.

References

Amidu, Aluko and Hansz (2008) Client feedback pressure and the role of estate surveyors and valuers, *Journal of Property Research*, **25**(2): 89-106.

Amidu, A. and Aluko, B. (2007) Client influence in residential property valuations: an empirical study, *Property Management*, **25**(5): 447-61.

Basel (1988) *International Convergence of Capital Measurements and Capital Standards*. Basel: Bank for International Settlements.

Baum, A, Crosby, N, Gallimore, P, McAllister, P and Gray, A (2000) *The influence of valuers and valuations on the working of the commercial property investment market*, Investment Propery Forum (Research funded by the Education Trusts of the Investment Property Forum, Jones Lang LaSalle and the Royal Institution of Chartered Surveyors)

Beattie, V., Brandt, R. and Fearnley, S. (1999) Perceptions of auditor independence: U.K. evidence, *International Accounting, Auditing & Taxation*, **8**(1), 67-107.

Black, E. L., Sellers, K. F., & Manly, T. S. (1998). Earnings management using asset sales: an international study of countries allowing noncurrent asset revaluation. *Journal of Business Finance and Accounting*, **25**(9–10), 1287−1317.

Boni, L. and Womack, K. (2002). *Solving the Sell-Side Research Problem: Insights from Buy-Side Professionals*, Working Paper, University of New Mexico and Tuck School of Business.

Bursa Malaysia. *Main Market Listing Requirements: Chapter 10*

Capital Markets and Services Act 212

Crosby, N., Lavers, A. and Foster, H. (1998) Commercial property loan valuations in the UK: implications of current trends in valuation practice and legal liability, *Journal of Property Research*, **15**(3), 183-209.

Crosby, N., Lizieri, C., & McAllister, P. (2009). Means, Motive and Opportunity? Disentangling Client Influence on Performance Measurement Appraisals. *Paper presented at the European Real Estate Society*. from http://eres2009.com/papers/1H_Crosby_Lizieri_McAllister.pdf

DeAngelo, L. E. (1981). Auditor size and audit quality, *Journal of Accounting and Economics* **3**(3): 183-199.

Dugar, A. and S. Nathan (1995). "The Effect of Investment Banking Relationships on Financial Analysts' Earnings Forecasts and Investment Recommendations*." Contemporary Accounting Research **12**(1): 131-160

Felix, W. L., Gramling, A.A. and Maletta, M.J. (2005). The Influence of Nonaudit Service Revenues and Client Pressure on External Auditors' Decisions to Rely on Internal Audit, *Contemporary Accounting Research* **22**(1): 31-53.

Gallimore, P. and M. Wolverton (2000) The objective in valuation: a study of the influence of client feedback. *Journal of Property Research*, **17**(1) 47-58.

Hansz, J.A & Diaz, J. III (2001) Valuation bias in commercial appraisal: a transaction price feedback experiment, *Real Estate Economics*, **29**(4), 553-65.

IASB-IAS 16 Property, Plant and Equipment

IASB-IAS 40 Investment Property

Jaggi, B., & Tsui, J. (2001). Management motivation and market assessment: revaluations of fixed assets. *Journal of International Financial Management and Accounting*, 12(2), 160−187.

Jenkins, J.G., and D.J. Lowe. 1999. Auditors as advocates for their clients: Perceptions of the auditor-client relationship. *The Journal of Applied Business Research* 15 (Spring): 73-78.

Kinnard, W. N. Jr, Lenk, M. M. and Worzala, E. M. (1997) Client pressure in the commercial appraisal industry: how prevalent is it? *Journal of Property Valuation & Investment*, **15**(3), 233-44.

Levy, D. and Schuck, E. (1999) The influence of clients on valuations, *Journal of Property Investmen & Finance, **17(4)***, 380-400.

Lee, C.-W. J. and Gu, Z. (1998). Low Balling, Legal Liability and Auditor Independence, *The Accounting Review **73***(4): 533-555.

Levy, D. and Schuck E. (2005) The influence of clients on valuations: the clients' perspective, *Journal of Property Investmen & Financet*, **23***(*2), 182-201.

Lin, Y. C., & Peasnell, K. V. (2000). Fixed asset revaluation and equity depletion in UK. *Journal of Business Finance and Accounting*, **27**(3–4), 359−394.

Lin, H.-w. and McNichols, M.F. (1998). Underwriting relationships, analysts' earnings forecasts and investment recommendations, *Journal of Accounting and Economics* **25**(1): 101-127.

MASB-FRS 116 Property, Plant and Equipment

MASB-FRS 140 Investment Property

Michaely, R. and Womack, K.L. (1999). Conflict of Interest and the Credibility of Underwriter Analyst Recommendations. *The Review of Financial Studies* Special 1999, **12** (4):653-686.

Miles, M. and Huberman, A. (1994). *Qualitative data analysis: an expanded sourcebook*, London: Sage Publications.

Missonier-Piera, F. (2007). Motives for fixed-asset revaluation: An empirical analysis with Swiss data. *The International Journal of Accounting*, **42** (2007) 186–205.

Pasewark, W.R., Wilkerson, J.E. (1989). Introducing... the power quintuplets: client power and auditor independence, *Woman CPA*, Vol.51,13-17.

PricewaterhouseCoopers. (2007). Financial Reporting Standards (FRSs) in Malaysia: How do they compare with IFRS?

Board of Valuers, Appraisers and Estate Agents Malaysia (2006). *Malaysian Valuation Standards*

Reynolds, J. K. and J. R. Francis (2000). "Does size matter? The influence of large clients on office-level auditor reporting decisions." Journal of Accounting and Economics **30**(3): 375-400.

Roberts, J.R. and Roberts, E. (1991) The myth about appraisals, *The Appraisal Journal*, **2**, 212-20.

Securities Commission Malaysia (2008). *Guidelines on Real Estate Investment Trusts*

Securities Commission Malaysia (2009). *Asset Valuation Guidelines*

Siconolfi, M. “At Morgan Stanley, analysts were urged to soften harsh views.” *The Wall Street Journal* (July 14 1992): A1.

Smolen, G. E. and Hambleton, D.C. (1997) Is the real estate appraiser’s role too much to expect? *The Appraisal Journal*, **65**(1), 9-17.

Taylor, S. and Bogdan, R. (1998). *Introduction to qualitative research methods: a guidebook and resource*, (3rd ed.), New York: John Wiley & Sons, Inc.

Yu, Shi-Ming. (2002) Client pressure in residential valuations – evidence from Singapore, Department of Real Estate, *National University of Singapore*.

Worzala, E. M., Lenk, M. M. and Kinnard, W. N. Jr, (1998) How client pressure affects the appraisal of residential property, *The Appraisal Journal,* October, 416-27.

Wolverton, M. and Gallimore, P. (1999) Client feedback and the role of the appraiser, *Journal of Real Estate Research*, **18**(3), 415-31.

Wolverton, M. (2000) Self-perception of the role of the appraiser: objective opinions or price validations? *The Appraisal Journal*, July, 272-82.