IVSC PERSPECTIVES PAPER

Managing and Communicating Value Uncertainty

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The IVSC issues Perspectives Papers from time to time, which focus on pertinent valuation topics and emerging issues. Perspectives Papers serve a number of purposes: they initiate and foster debate on valuation topics as they relate to the International Valuation Standards (IVS); they provide contextual information on a topic from the perspective of the standard setter; and they support the valuation community in their application of IVS through guidance and case studies.

Perspectives Papers are complementary to the IVS and do not replace or supersede the standards. Valuers have a responsibility to read and follow the standards when carrying out valuations.

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IVSC Perspectives Paper

Managing and Communicating Value Uncertainty

Introduction

In the previous perspectives paper titled "*Getting the Process Right: Exploring Valuation Risk under IVS*", the IVSC distinguished between two related but distinct concepts: ***valuation risk*** and ***value uncertainty***.

- ***Valuation risk*** refers to the possibility of errors, omissions, biases, or inadequate documentation arising within the *valuation*[1] process (e.g., in *valuation method*[2], *valuation model*[3], data, assumptions, *professional judgement*[4] and *quality controls*[5]) that could lead to a *value*[6] that is not appropriate, credible or supportable for its *intended use*.[7]

- ***Value uncertainty*** by contrast, refers to the fact that different, but reasonable, *valuation methods*, data, assumptions and *professional judgement* may produce a range of credible *values* even when the *valuation* process is fully IVS-compliant.

This perspectives paper examines both the causes and the consequences of value uncertainty. *Valuation risk* can and should be mitigated to the degree appropriate given the *intended use*[8], the *intended user*[9] and the *asset*[10] or *liability*[11] being valued. In contrast, value uncertainty is influenced by factors such as the nature of the *asset* or *liability* being valued and prevailing market conditions. As such, it must be carefully understood, considered, and communicated with transparency so that users of *valuations* recognise both the robustness of the process and the unavoidable limits of precision.

Recent periods of market volatility, driven by exogenous events such as the COVID-19 pandemic, geopolitical conflicts (including in the Middle East and Ukraine), global energy market disruptions, rapid technological change and uncertainty surrounding future developments (e.g., trade policy, interest rates, the impact of artificial intelligence), make the topic of value uncertainty especially relevant. A clear, principles-based framework is essential to guide *valuers*[12] in exercising *professional judgement* and *professional scepticism*[13], while providing stakeholders with confidence in the *values* provided.

This perspectives paper explores:

- Sources of value uncertainty
- Principles that help valuers address value uncertainty
- Illustrative examples of how uncertainty can arise
- Managing and communicating value uncertainty

The IVSC Technical Boards welcome input from stakeholders on value uncertainty. Consultation questions are included at the end of this perspectives paper.

Value Uncertainty

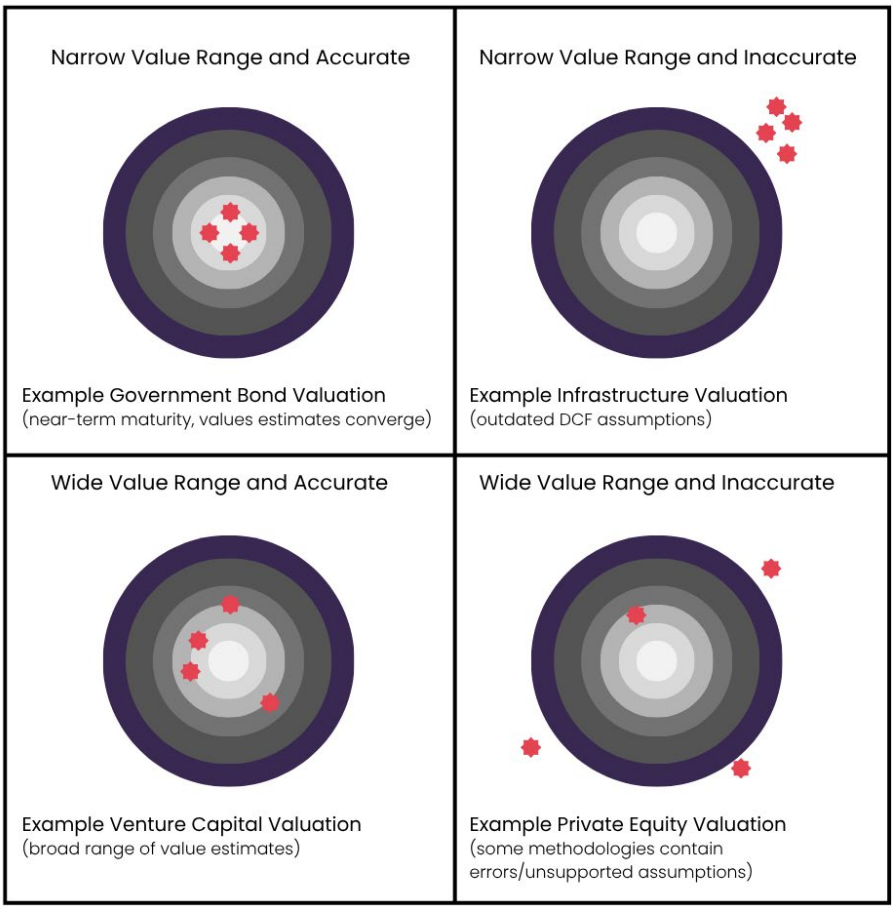
As noted earlier, value uncertainty is an intrinsic component when performing a *valuation*. Unlike *valuation risk* which can and should be mitigated, through robust processes and *quality controls*, value uncertainty reflects the range of possible outcomes that can legitimately arise from different, yet reasonable, assumptions about key value drivers.

One way to distinguish between the two concepts is to consider when it is reasonable to observe a narrow versus a wide range of *values*, and how *valuation risk*, if present, can lead to inaccurate *value* estimates.

The following illustrative examples demonstrate how narrow or wide ranges of values may arise, and how valuation risk can affect the accuracy of value estimates.

Illustrative Examples: Distinguishing Value Uncertainty (range of value estimates) from Valuation Risk (accuracy of value estimates)		
	Accurate	Inaccurate
Narrow Value Range	A government bond with a near-term maturity date, valued using multiple relevant market comparables and where value estimates converge within a narrow range.	An infrastructure investment valued using outdated assumptions. A discounted cash flow analysis produces a narrow range, but the results fail to reflect current market conditions that were known or knowable at the *valuation date*.[14]
Wide Value Range	A venture capital investment with no recent transactions. A broad range of values is derived from reasonable and supportable methodologies and assumptions, appropriately reflecting the high uncertainty of potential future outcomes.	A private equity investment where value estimates vary widely because some methods contain errors or unsupported assumptions.

This can be illustrated graphically as follows:



Valuation risk may lead to inaccurate *values* (as illustrated on the previous page), for reasons such as:

- Utilising an incorrect basis of *value*[14].
- Choosing an inappropriate *valuation approach*[15] or method.
- Using non-comparable or stale market transactions.
- Considering the wrong valuation date.
- Using erroneous *valuation models*.
- Using incorrect assumptions or ones that are hard to justify.
- Employing ineffective *quality controls*.

In these instances, the value outcome may appear precise yet still be "off target" / inaccurate, due to flaws in the process.

Alternatively, value uncertainty results in outcomes that are credible but vary in their level of precision in *value*. In these instances, *valuation risk* has been managed appropriately, yet value uncertainty still arises because there can be different reasonable choices of data, models, and assumptions which can lead to different results.

The less consistency there is in the way that *valuers* determine these *inputs*, the more uncertainty exists and the larger the potential value uncertainty. *Professional judgement* and *professional scepticism* are therefore essential in navigating these differences in addition to adherence to principles set out in IVS.

In essence, while *valuation risk* relates to the credibility of the process, value uncertainty reflects the variability of results that can legitimately occur within an IVS-compliant framework.

Sources of Value Uncertainty

Value uncertainty arises from a variety of sources, each contributing to potential variability in *valuation outcomes*. While it may arise at different stages of the *valuation* process, it commonly reflects uncertainty in the selection and application of *valuation models* and in the *inputs* used within them. *Inputs* may be subject to different forms of uncertainty, and, for the purposes of this paper, these are considered separately as data uncertainty and assumption (estimation) uncertainty. These sources of uncertainty are further influenced by the exercise of *professional judgement* and *professional scepticism* across these areas.

Data Uncertainty arises from limitations in the availability, quality, or relevance of data used in the valuation, as well as challenges in interpreting pricing signals and market dynamics. Examples include:

- **Limited Market Benchmarks**: Where there is no recent transaction in the asset being valued, recent comparable precedent transactions or public comparables to benchmark against, it becomes more difficult to calibrate models and gauge market movements, which increases value uncertainty.

- **Limited Access to Information**: Where the *valuer* has restricted access to relevant information, such as when valuing a minority interest with limited information rights, this can increase value uncertainty.

- **Heightened Volatility**: Significant and rapid changes in macroeconomic factors (e.g., inflation, interest rates), geopolitical risks, regulatory risks and

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Value uncertainty is not a failure of valuation; it is an inherent feature of valuing complex assets, liabilities and markets.

other external factors, increase value uncertainty, particularly when recent market benchmarks are scarce.

Model Uncertainty arises from the natural limitations of *valuations*, and the selection of *valuation approaches* and methods, which may produce different outcomes even when applied appropriately. Examples include:

- **Complexity**: Assets that are complex, including those involving new and transformative technologies, and that have few direct market comparables naturally increase *input* uncertainty. This typically requires greater reliance on subjective judgements and unobservable *inputs*.

- **Single-Method Risk**: When a valuation relies on a single valuation methodology without the availability of other cross-checks, especially if that approach depends on significant unobservable inputs, value uncertainty increases. If such reliance is not appropriately justified, this may also give rise to valuation risk.

Assumption Uncertainty arises in the selection and estimation of *inputs* within a chosen *valuation model*. Examples include:

- **Input/Assumption Sensitivity**: Value uncertainty increases where small changes in key assumptions can lead to wide swings in the estimated value. For example, in businesses with highly leveraged capital structures, adjustments to cash flow forecasts or discount rates can disproportionately affect equity value.

- **Emerging Sources of Value Uncertainty:** New areas of value uncertainty may become increasingly relevant, including the increasing financial impacts of climate-related risks, geopolitical risks, as well as the effects of technological disruption, particularly from artificial intelligence, across businesses and sectors. These factors often require forward-looking *professional judgement* about their timing, magnitude, and impact on cash flows, or discount rates, thereby increasing assumption uncertainty.

Principles of Emphasising Relevance, Reliability and Maximising Observable *Inputs*

Under IFRS, the concepts of relevance and faithful representation (formerly called reliability), together with maximising the use of observable *inputs*[16], are important considerations in fair value measurement.

These concepts are also reflected within IVS and constitute key principles which support *valuers* in navigating value uncertainty. Examples within IVS include:

- **IVS 102 Basis of Value (para 10.01)**: *Bases of value* describes the fundamental premises or requirements on which the reported values will be based. It is critical for the *valuer* to select the appropriate *basis (or bases) of value* and follow all applicable requirements associated with that basis (or bases) of value.

- **IVS 102 Basis of Value (para 50.04)**: All *significant* assumptions must be

reasonable under the circumstances, be supported by evidence, as much as possible, and be relevant having regard to the *intended use* for which the *valuation* is required to produce an IVS-compliant *valuation*.

- **IVS 103 Valuation Approaches (para 10.02)**: The selection of the approach *should* seek to maximise the use of observable *inputs*, as appropriate.

- **IVS 103 Valuation Approaches (para 10.06)**: The *valuer* should consider the use of multiple approaches and methods. More than one *valuation approach* or *valuation method* should be considered and may be used to arrive at an indication of value, particularly where there are insufficient factual or observable *inputs* for a single method to produce a reliable conclusion.

- **IVS 104 Data and Inputs (para 10.02)**: Data and *inputs* should be based on factual information (such as measurements or published prices) but often include reasoning and analysis in order to arrive at an input to be used in the valuation.

- **IVS 104 Data and Inputs (para 10.03):** The valuation should maximise the use of *observable data*. *Observable data*[17] is defined as information that is readily available to market participants about actual events or transactions that are used in determining the value for the asset or liability.

While these concepts of relevance, reliability and maximising observable *inputs* are important, they can sometimes pull in different directions. That is where *professional judgement* is required to consider the facts and circumstances and weigh the trade-offs based on what is known and knowable at a *valuation date*. The valuation outcome reported should reflect appropriate mitigation of *valuation risk*.

The goal is not to remove uncertainty from valuation, but to ensure that users understand its nature, scale and implications.

Illustrative Examples

The following illustrative examples demonstrate how value uncertainty can arise across different contexts. They highlight situations where *valuers* must exercise *professional judgement* in balancing relevance, reliability, and maximising the use of observable *inputs*. Each example shows how the nature of available data, market conditions, and *valuation approaches* can influence the degree of uncertainty, underscoring the importance of transparent assumptions and a principles-based application of IVS.

Example 1: Greater complexity, combined with limited observable data, generally leads to higher value uncertainty

In some instances, where there is limited market data or observable transactions, either due to an unforeseen event such as the COVID-19 pandemic or due to a specialised asset, where there are no direct comparables, the *valuer* will have to make a greater number of assumptions within their *valuation*. To develop these assumptions and appropriate valuation *inputs*, the *valuer* may need to consider various sources of data, which include but are not limited to, macro and micro economic data, indices or comparable information within similar markets or across similar assets. In addition, the *valuer* may also have to consider measures of market sentiment.

As illustrated in the table below, the more complex the *valuation* and the greater reliance on assumptions due to limited market data, the higher the degree of potential value uncertainty.

The More Complex the Valuation the Higher the Degree of Value Uncertainty	
Lower Degree of Value Uncertainty	**Higher Degree of Value Uncertainty**
Example Factors: • More observable inputs • Standardised models • Recent comparable transactions • Lower subjectivity in inputs • Stable market conditions	Example Factors: • More unobservable inputs • Complex models/assets • Greater subjectivity in inputs • High sensitivity to assumptions • Few comparable transactions • Increased market volatility • Technology changes or transitions (e.g., AI)

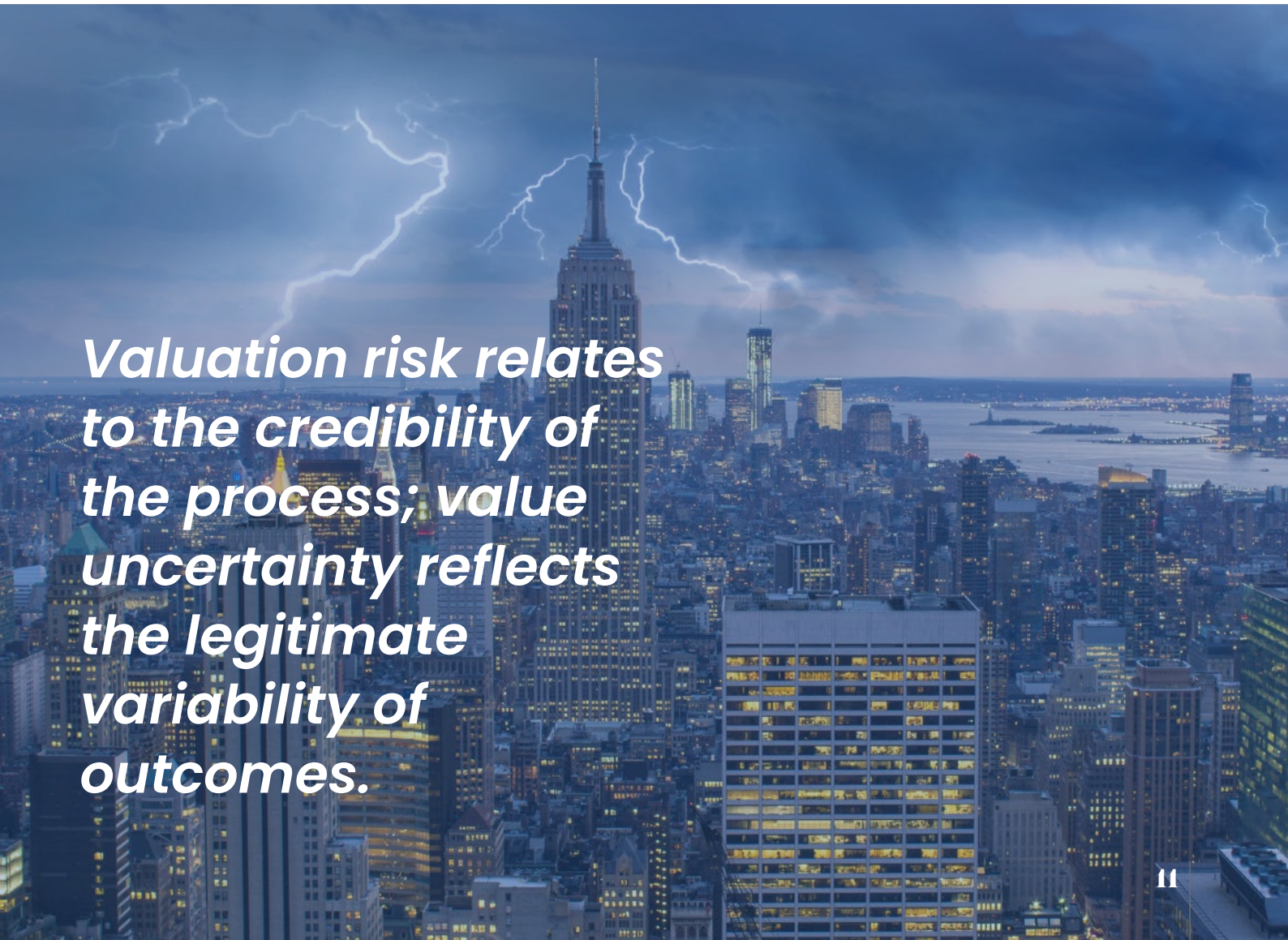
Example 2: Significant Market Volatility Post Transaction

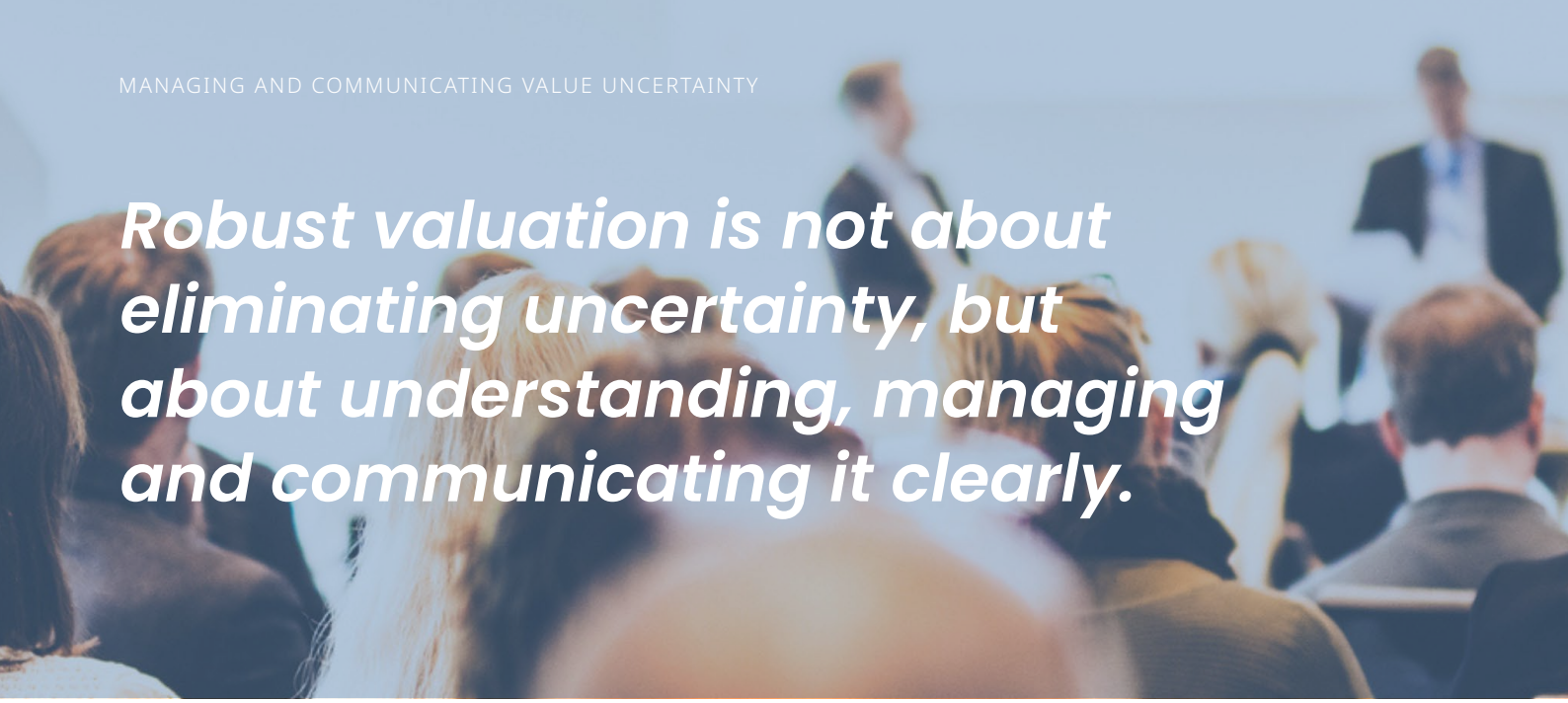
Consider the case where there is a significant change in market volatility which occurs shortly after a comparable transaction takes place, but before the *valuation date*[18]. Incorporating observed market volatility would make a *valuation* more robust by better representing the asset's current economic reality. An adjustment to the transaction price in response to this new market data would make the *valuation* more robust.

From a reliability perspective, making this adjustment might introduce subjectivity and estimation uncertainty, especially if it is difficult to objectively quantify how much the market volatility has impacted the asset's value.

This dilemma underscores the inherent tension between providing information that is most useful for users (relevance) and using assumptions that are the most reliable. Finding the right balance can be more challenging during periods of rapid change, particularly when recent transactions or public comparables are scarce. This paucity of data can increase the risk of either underreacting or overreacting to new developments.

As in all aspects of the *valuation* process, it is essential to apply *professional judgement* and carefully evaluate the specific facts and circumstances of each situation.





Robust valuation is not about eliminating uncertainty, but about understanding, managing and communicating it clearly.

Managing and Communicating Value Uncertainty

Value uncertainty is a central aspect of the valuation process. It reflects the reality that different, but equally reasonable methods, data sets, assumptions, and *professional judgement* may lead to a range of reasonable values for an asset or liability.

Depending upon the valuation assignment, *valuers* may be required to present valuation outcomes in different forms: as a single point estimate, as a range, or as a point estimate within a range. Each method has implications for how value uncertainty is conveyed:

- **Point Estimate**: Represents a single *value* outcome but requires careful explanation of the assumptions and uncertainties underlying it. A point estimate should not necessarily be interpreted as implying greater precision, but rather as the most reasonable estimate of value.

- **Range of Values:** Highlights variability in comparable transactions, valuation *inputs* and assumptions, or reasonable value outcomes. Ranges may be derived from statistical analysis, sensitivity analysis, or *professional judgement*. Regardless of method, *valuers* must disclose how ranges are determined and what they are intended to communicate.

- **Point Estimate Within a Range**: Combines both approaches, identifying the most reasonable estimate of value while recognising a broader spectrum of reasonable value outcomes. Consistent with above, *valuers* must disclose how the range is determined and what it is intended to communicate (e.g., sensitivity to key *inputs*, boundaries of reasonably supportable values etc.).

A range of values can be useful when value uncertainty is significant. Equally, a point estimate remains reasonable where the underlying assumptions and uncertainties are explained clearly. What matters most is alignment of expectations between the *valuer* and the user of the *valuation*. Communicating uncertainty effectively reduces the risk of misunderstanding, ensures transparency, and helps users interpret outcomes in light of the assumptions and limitations inherent in the valuation process.

Consequences of Value Uncertainty

Recognising and effectively communicating value uncertainty has important practical consequences. *Valuers* must apply technical expertise and *professional judgement* while using tools and disclosure practices that help manage, assess and explain uncertainty.

Different tools and disclosure practices may be appropriate depending on the source of value uncertainty (see examples below).

In communicating uncertainty, *valuers* should take care to ensure that there is not an unintended illusion of certainty created with the use of ranges. In certain circumstances, transitioning from a point estimate to a range might give *valuers* the impression that they are mitigating risk. In reality, the use of a range might be compounding risks, unless its parameters are carefully communicated in the context of the valuation. *Valuers* should clearly explain what a range represents and, importantly, what it does not capture, to prevent misinterpretation.

By combining clear and transparent communication with these practical tools, *valuers* can acknowledge that multiple reasonable outcomes may exist. This approach builds trust between *valuers* and users of valuations, ensures alignment with professional standards, and provides stakeholders with insights that are both decision-useful and mindful of the inherent limits of the valuation process and outcome.

Example Tools and Disclosure Practices	
Data Uncertainty	**Data Verification:** Using multiple external data sources to ensure the accuracy of the data. **Benchmarking:** Using market evidence to support and validate key inputs.
Model Uncertainty	**Valuation Cross-Checks:** Applying multiple valuation methods or secondary checks to triangulate results and improve reliability, particularly where different approaches highlight different sources of uncertainty (e.g., terminal value sensitivity in discounted cash flow approaches, comparability limitations in market approaches). **Method Selection Justification:** Clearly explaining the rationale for selecting (or excluding) particular methods.
Assumption Uncertainty	**Calibration:** The process of aligning implied metrics of observed transactions to valuations and considering changes in relevant market inputs, subject asset performance, and other factors at subsequent valuation dates. **Sensitivity Analysis:** Understanding how changes in key assumptions can affect valuation outcomes, highlighting areas of potential variability. **Scenario Analysis:** Exploring different plausible future outcomes (e.g., base, upside, downside cases) to provide a fuller picture of potential value drivers. **Disclosure of Key Assumptions:** Enhancing transparency by clearly stating the critical assumptions, rationale, and potential sources of material uncertainty. **Transaction Outcome Analysis:** Comparing past assumptions with actual outcomes to refine future judgements and strengthen reliability. **Use of Ranges:** Where appropriate, presenting a value range can be an effective way to acknowledge and communicate uncertainty.

Conclusion

Value uncertainty is an inherent aspect of the valuation process, reflecting the complexity of markets, assets, and *professional judgement*. While *valuation risk* can be mitigated through adherence to IVS, value uncertainty reflects the potential variability in outcomes caused by external conditions and modelling limitations.

Recognising and distinguishing between these two concepts is critical. Separating process-related risks (*valuation risk*) from outcome-related variability (value uncertainty) provides greater clarity for both *valuers* and users of valuations.

The table below summarises the distinction:

	Valuation Risk	Value Uncertainty
Description	The possibility of errors, omissions, biases, or inadequate documentation arising within the valuation process that could lead to a value that is not appropriate, credible or supportable for its intended use.	The fact that different, but reasonable, methods, data sets, assumptions and professional judgement may produce a range of credible values even when the valuation process is fully IVS-compliant.
Example Sources	Calculation errors, inconsistencies in estimation, unsupported assumptions, and errors in professional judgement, including potential behavioural biases.	Market volatility, technological changes, limited observable inputs, complexity, differing but reasonable professional judgement.
Consequences	Should be assessed, managed, and mitigated during a valuation.	Should be acknowledged and understood, as it influences the choices made during a valuation and may affect how results are communicated.

Through the appropriate application of professional judgement and professional scepticism and guided by a principles-based approach under IVS, valuers can mitigate valuation risk while responsibly managing and transparently communicating value uncertainty. This balanced approach strengthens confidence in valuations and the resulting values by ensuring both process integrity and outcome relevance.

Looking ahead, enhancing transparency, consistency, and communication around value uncertainty is critical. By applying tools to assess and manage uncertainty as well as increased disclosure, valuers provide stakeholders with a more nuanced understanding of value uncertainty. This strengthens confidence in valuations without obscuring the inherent challenges and limitations.

The IVSC invites stakeholder input through the consultation questions in this paper, which will inform future development of standards and guidance. By collectively advancing this distinction between *valuation risk* and value uncertainty, the profession can continue to enhance transparency and ensure valuations reflect both the rigour of process and the realities of uncertainty to ensure they are fit for purpose.

Transparency around uncertainty strengthens confidence; it does not weaken it.

Consultation Questions

The IVSC seeks input from stakeholders on the following aspects of value uncertainty:

1. **Concept** – Do you agree with the need to distinguish between the concept of valuation risk and value uncertainty? If not, how would you modify either of these terms? (Please provide your suggested revisions)

2. **Definition** – Do you agree with the newly proposed valuation risk definition within the Exposure Draft issued on 30th January 2026:

   "The possibility of errors, omissions, biases, or inadequate documentation arising within the valuation process (e.g., in valuation method, valuation model, data, assumptions, professional judgement and quality controls) that could lead to a value that is not appropriate, credible or supportable for its intended use."

   If not please suggest edits and provide your reasoning.

3. **Methods and Tools** – Which methods are most effective in addressing value uncertainty in practice? Should any of these be emphasized or clarified further in IVS?

4. **Disclosure** – Does IVS sufficiently emphasize transparent disclosure related to value uncertainty? Please share examples of effective disclosure practices, or areas where greater clarity is needed.

5. **Emerging Sources** – Does IVS need to be more explicit about sources of value uncertainty, and should IVS provide further guidance on this topic?

Endnotes

1 IVS Glossary – Valuation: The act or process of forming a conclusion on a value as of the valuation date prepared in compliance with IVS.

2 IVS Glossary – Valuation Method: Within a valuation approach, a specific technique to conclude on a value.

3 IVS Glossary – Valuation Model: A quantitative implementation of a valuation method in whole or in part that converts inputs into outputs used in the development of a value.

4 IVS Glossary – Professional Judgement: The use of accumulated knowledge and experience, as well as critical reasoning, to make an informed decision.

5 IVS Glossary (January 2026 Exposure Draft) – Quality Control: The process and procedures used to mitigate valuation risk and to verify the valuation is in accordance with IVS and appropriate for its intended use.

6 IVS Glossary – Value(noun): The valuer's quantitative conclusion on the results of a valuation process that is fully compliant with the requirements of IVS as of a valuation date.

7 Newly proposed valuation risk definition within the Exposure Draft issued on 30th January 2026.

8 IVS Glossary – Intended Use: The reason(s) for which a value is developed as described in the scope of work. This is also known as intended purpose.

9 IVS Glossary – Intended User: Any party identified by the client and valuer in the scope of work as users of the valuation.

10 IVS Glossary – Asset or Assets: The right to an economic benefit.

11 IVS Glossary – Liability: The present obligation to transfer or otherwise provide economic benefits to others.

12 IVS Glossary - Valuer: An individual, group of individuals or individual within an entity, regardless of whether employed (internal) or engaged (contracted/external), possessing the necessary qualifications, ability and experience to execute a valuation in an objective, unbiased, ethical and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.

13 IVS Glossary (January 2026 Exposure Draft) - Professional Scepticism: An attitude of the valuer that includes a questioning mind and critical analysis throughout the valuation.

14 IVS Glossary – Basis (bases) of Value: The fundamental premises on which the reported values are or will be based (see IVS 102 Bases of Value).

15 IVS Glossary – Valuation Approach: A generic term for the use of the cost, income, or market approaches.

16 IFRS 13 (para 61) "An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs".

17 IVS Glossary – Observable Data: Information that is readily available to market participants about actual events or transactions that are used in determining the value for the asset and/or liability.

18 IVS Glossary – Valuation Date: The point in time to which the valuation applies.

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