

Uncertain Analysis on China's Valuation Practice

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Abstract

Uncertainty is substantive characteristics of valuation. Main purpose of this research is to verify the existence of uncertainty factors in China asset valuation extent and its disclosure function, which is to guide information disclosure method used in valuation report, and guard of financial market bubble and financial market risk. According to anonymous questionnaires on appraiser, we got that most appraisers agree the wide existence of uncertain factors. They think disclosure of valuation results should be in certain scope of rate and have high agreement of disclosure standard in uncertain factors. The cognition and disclosure of uncertainty can improve accuracy of valuation report and faith of appraiser, avoid or decrease risk in financial market.

Keywords

Uncertainty, Disclosure of Information, Aasset Valuation.

1. INTRODUCTION

French, N. and Mallinson (2000) make research and exemplify that large disparities were revealed in valuation results. This means different appraisers may have large different valuation results toward same asset, so the valuation result made by one appraiser is not reliable. For lender of commercial loan, the safety level of appraisal in asset comes with high uncertainty and the further of his invested asset could not be estimated completely [1].

As to the main reason of existence of different valuation results, normal research point out that this difference mainly derived from difference of knowledge constitution and information resource of appraiser himself. Each appraiser got his own knowledge frame and working experience during his working procedure. When appraiser saw asset to be assessed for the first time, he will take use of knowledge and experience to make initial position on comprehensive value and relative affection factors. And in further accuracy of those influencing factor, difference of various information resource will determine the choosing and adjustment of appraiser's measurement criteria then make important influence on final valuation results.

In 1994, RICS published Mallinson Report (RICS, 1994) to face various doubts in the field actively. In his report, assessment is an estimation of market price of asset in one certain time. Just as well, the assessment exists with uncertainty. Assessment builds on possibility and uncertainty. Role of appraiser is to assess current market situation and got a professional judgment among a number of uncertainties. The article 34 of Mallinson Report clarifies the points specially: To measure and describe price changing trend and description of uncertainty, there should be general professional standard and way.

The research result of uncertainty in assessment of asset made by RICS is Carsberg Report (RICS, 2002a). Suggestion of article 15 goes like this: RICS should build an acceptable way to

express uncertainty and make use of this way to show customer accurate and effective evaluated results.

Formal announcement in CR stated that at present, appraiser can express this uncertainty pleasantly to certain customer but there is no forceful mechanism prompt them to do so. RICS feel it is unable to recommend a special report on uncertainty of valuation but it agrees that customer should get more than he had now.

During the development of valuation field, quality of assessment report and information disclosure way have been strengthened and improved continuously but few research of uncertainty in assessment, which is still in the early stage. Facing continually changing surrounding environment, valuation management departments and appraiser should respond it positively, continue explore disclosure content and way of uncertainty information in assessment, offers more complete, accurate reliable service to customer, decrease and risk to the customer and relative beneficiaries while using report.

Nick French (Nick French, 2004) in the "value question", defines the concept of value, price and market value, that value can be considered economic value, but the price or market value can be considered as the exchange value. Asset evaluation is a process that determines the market value and estimates the exchange price of the market. The evaluation process is the process of managing uncertainty. The task of the evaluator is to get the most probable transaction price. To some extent, the point estimate value is always inconsistent with the appraiser to convey the information, he believed that with the help of charts and text to explain certain additional value, can go beyond the limitations of point estimates of too little information contained in the report and other related matters can be evaluated, the most of the factors affecting the evaluation results are reported to the customer, provides the most complete assessment of the value of the explanation, is most in the assessment of the most appropriate representation[2].

Knight was the first economist to discuss the uncertainty of the system. As early as 1921, in his classic "risk, uncertainty and profit" in the book describes the ideas of uncertainty, the uncertainty is defined as "any person can create in a moment that may be state can be aware of the number, and will not fully grasp the future events and divided into risk the former can measure uncertainty, uncertainty, the latter difficult measure of uncertainty, this definition clearly distinguishes between uncertainty and risk. Whether the knight from the event the predictable results point of view of risk and uncertainty, the uncertainty due to incomplete knowledge or information, the uncertainty is regarded as endogenous, belongs to the subjective understanding of economic behavior, the uncertainty of understanding fundamentally denied the new classical economics completely rational hypothesis. Knight introduced the uncertainty into the economic field, opened up the scope of the research of the uncertain economy, and brought the economic theory research to a new realm.

It can be seen from the research status at home and abroad that in recent years, scholars at home and abroad have paid more and more attention to the evaluation of uncertainty, and have made some groundbreaking research results. Study on the uncertainty evaluation of foreign scholars mainly focus on the measure to the evaluation results, the empirical analysis on post, quantitative analysis and evaluation of uncertainty has made a meaningful discussion, deepened asset evaluation and integration of other disciplines, provides some new ideas for our theory research and evaluation practice. The research on the problem of domestic scholars is lagging behind, although some scholars have given some attention to this problem, but the research is not systematic and in-depth, mostly single, repetitive and non system, and the basic theory and practice in the foreign state. However, the existing research results both at home and abroad provide the basis and valuable reference for the study of this paper.

As a scientific and professional social activity, asset evaluation has been made for more than 200 years, but the definition of asset evaluation has not been unified in the world. At present, the more representative views are:

The international valuation criteria states that "asset assessment is the assessment of the value of a particular asset by an expert who has expertise and experience to assess the value of a particular asset.". China's "asset appraisal standard basic standard" will be defined as the asset appraisal: CPV according to the relevant laws, regulations and asset appraisal standards, assessment of the object in the assessment of special purpose of the base date of next analyze and estimate the value and professional opinions for and process. The CPA examination counseling textbook written by the group of "asset assessment" (2008 Edition) said: "the assets appraisal professional organizations and personnel in accordance with national laws and regulations and asset appraisal standards, according to the specific purpose, follow the principles of assessment, in accordance with the relevant procedures, select the appropriate type of value, the use of scientific methods, analyze and estimate the value of the assets and the behavior and process of professional opinions".

In the assessment of assets trading market, assessment agencies are the supply side of the asset appraisal report, the evaluation personnel through investigation, collection and analysis of the assessment of the assets of the relevant information, the formation of professional judgment on the value of assets is evaluated, and the asset appraisal report form to the customer; customer is the assessment of the assets of the buyers of products that demand. They, by providing information about the assessment of the assets to the organization and personnel of evaluation, and pay the assessment fee to obtain the assets appraisal report. The supply and demand of asset evaluation products both for the asset assessment of product quality information to understand the extent of the asymmetry between supply and demand sides because of the information asymmetry will lead to adverse selection problems and reduce the quality of assets appraisal. Therefore, the analysis of the market supply and demand and information asymmetry will help us find out the root cause of the low quality of asset evaluation.

Asset valuation acts as a professional value measurement activities. The result of valuation is gained on basis of integrate consideration of asset- its situation, outer market environment and further development and this result will be limited and affected by series of relative factors and assumption. The uncertainty factor in valuation affects the application scope of valuation result and accuracy of valuation results greatly. In light of this problem, valuation field get pressure from various parts. Can valuation result react the value of asset? Can valuation activity offer effective professional guard for capital market operation? Facing serious of such doubts, research of accuracy of valuation result have been an important issue in valuation field.

The definition of value is recognized as the means for the relationship between money people buy assets and the sale of these assets service services, or to assess the value of the assets is the total monetary asset owners get the future specific period of income paid. As a result of asset evaluation, asset evaluation value is neither the value of assets, not the actual market price, but by the dynamic value assessment of a specific purpose, value types and specific methods of joint decision, is a form of value.

The labor value theory, the utility theory of value and the equilibrium price theory in economics explain the value of asset evaluation from different angles:

First, the theory of labor value explains the value of commodity from the supplier's point of view, depending on the amount of necessary labor and the time necessary for social work. Based on the theory of labor value assessment, professional assessment of the assets of the production cost can be considered from the producer's point of view, considering the impact of the social necessary labor time and social average technology level of the value of assets.

Second, the utility theory of value explains the value of the goods from the point of view of the demander, and the utility of the goods for the possessor, which is determined by the satisfaction of the possessor's subjective desires or demands. The effective use of the asset by its owner means that the asset can bring benefits to its owner, that is, the value of the asset. The greater the asset's future earnings, the greater its value to its owner. Therefore, in the activity of asset evaluation, we can estimate the value of the timing of the asset by estimating the future income of the asset.

Third, the equilibrium price theory holds that in the market economy, the value of assets is equal to the market equilibrium price. The market equilibrium price is determined by the market supply and the market demand of the commodity. When the two are equal, the price is the market equilibrium price, that is, the value of the asset. The equilibrium price theory tells us that when assessing the value of assets, we should consider the market supply of assets and the demand of the market in a comprehensive way, and also consider the influence of the market environment on the supply and demand.

With the development of asset appraisal industry, there are more and more assets in the scope of assessment. The diversity of asset classes, indicate the formation of asset value is complex, therefore, in assessing the value of the assets, assets should be evaluated considering the characteristics and the market conditions and other factors to choose the value evaluation way.

The goal is to systematically discuss the desired results, and to identify different goals according to the problems that need to be addressed and studied by different systems. According to the nature, characteristics and environmental requirements of asset evaluation, it can be determined that the objective of asset evaluation is to provide stakeholders with value information that helps to make decisions. The correct goal is the premise of the benign cycle of the system, and the establishment of the correct value target of asset evaluation is of the same significance.

What are the value goals of asset appraisal? This paper analyzes the causes of asset valuation. The asset evaluation is an intermediary service because the asset transaction parties are divided on the asset price and need independent third parties to provide objective opinions. Since the asset valuation involves several parties, only when the result of the asset evaluation is fair can we all accept it. From this point of view, fair value is the value target of asset evaluation.

What is fair value? The International Valuation Standards that fair value is an accounting term "fair value" refers to the reasonable expectations may be obtained in the amount of the current voluntary transactions between buyers and sellers, rather than mandatory liquidation or sales amount." Fair value in asset evaluation refers to the reasonable estimate of the objective exchange value of the evaluated assets according to the conditions of the assets being evaluated and the market conditions they are facing. As long as the assessment results and assessment of the assets of their own conditions, when market conditions coincide, and no damage to the legitimate rights and interests of the parties of the transaction, will not damage other people's interests, the assessment results can be considered fair value.

Has not used the concept of fair value in the field of asset evaluation, an important reason is that the relationship between fair value and market value have been relatively vague, this is mainly due to the fair value accounting industry defined as the fair value concept in general. The comparison between the concept of fair value and the concept of market value in asset valuation seems to make little difference between the two. However, the evaluation of asset fair value and market value are two concepts of different levels, the fair value of the assets valuation is the concept of general level, it includes the reasonable evaluation results of normal market conditions and non normal market conditions for two cases; and the normal market conditions the market value of the assets valuation of assets at reasonable evaluation results under the

best condition, and who does not meet the conditions established in the market value of other reasonable evaluation results are also a kind of value type, non market value. Therefore, the fair value in asset valuation includes both the market value under deterministic conditions and the non market value under uncertainty, but the values in different conditions are different.

Market value, also known as open market value or fair market value, is a generally accepted concept in the International Valuation circle. "International Valuation Standards", defined as follows: the market value of the willing buyer and seller, after the normal marketing in the valuation date, the estimated amount reached in an asset even bargain should be the value of the transaction, the parties should be smart, their caution, without compulsion. The theory of asset valuation in China defines the market value as the estimated value of exchange value which is most likely to be realized in the normal use (optimum use) of the benchmark open market.

Market value is an ideal possible price, in line with the requirements of fair value. Market value is not necessarily the transaction price of the asset or the market transaction price, but the transaction price which may be formed under certain conditions. Different trading conditions determine the different market prices, this is why there are different evaluation conclusions of reason, the market value of the meaning is as long as it is with the market based on the data obtained by any method, evaluation results are market value.

The market value is a kind of ideal price, the ideal price from the ideal market conditions, ideal market conditions refer to the following conditions: the market is willing buyer willing seller;; the seller is limited rational behavior; expressed in monetary terms; normal trading conditions; valuation date determined; there is enough time in the show on the market. In such conditions, theoretically, the number of transactions and transaction value is the standard normal distribution, in accordance with the definition of market value, market value is the market price of the most likely value is also symmetrical normal distribution, this point is the largest number of transactions.

Non market value, also called market value, is defined as non market value in the International Valuation Standards, which are not consistent with the definition of market value. Non market value is a kind of value concept relative to market value, which is the most possible value of assets under various open market conditions. Because of the diversity of specific economic behavior, there are many forms of asset valuation based on non market value. Non market value can be described as a series of generic types that do not belong to the market value type. Common non market values include value in use, value of investment, value of continuing operation, insurance value, and so on.

Is the fair value of assets appraisal goal, it requires the assessment of the value of assets evaluation personnel are fair, the market value is relatively fair, and the market value of non market value should be fair, and it differs from the market value only in market conditions, non market value is in the special market conditions Fair, is a condition of justice, also belong to the category of fair value, otherwise the behavior will lose the fairness of the assessment. The market value is in full possession of the assets in the show time, best use value, non market value is limited in specific assets and special purpose under the condition of value, the difference of market conditions and the market value of the market condition is not ideal enough to reach the number of transactions, in this case the distribution, the non market value should be an interval distribution in the normal distribution of vertices on both sides of the symmetrical region, the value expressed in a particular situation, a range of assets of non market value, the non market value is formed in the non open market, non open market is because the assets have specific assets in the market and the display time does not affect the number of simulated market traders, resulting in supply and demand exchange assets can not be the same, thus forming a Reasonable market value is only the objective in the open market, the non market

value of assets and special purpose connected also has only the corresponding price, the value of this attribute is the asset itself, but also the source of non market value is fair. But non market value cannot be determined only because people's subjective judgment cannot predict the market conditions accurately.

In order to ensure the realization of the fair value of the target, assessment personnel in the assessment, should pay attention to the specific purpose, adhere to the value type is matched with the evaluation of specific purpose in the evaluation process, to reflect on the value type specific business requirements, obtain fair value, realize the goal of asset appraisal.

The causes of uncertainty are very broad, and the concept itself is vague and abstract, and it is difficult to form a unified understanding. In the understanding of uncertainty, scholars at home and abroad classify them from different perspectives. Here are some main classification methods.

According to most scholars of Western perceptions of uncertainty in economic activities can be divided into two categories: one is the uncertainty of the market, every person completely known his own preferences, resource endowments and production opportunities, but I do not know the other economic entities of the supply and demand, obviously, this kind of uncertainty is determined by within the economic system of the. The other is the event of uncertainty, every person on the market price of all completely that, just can't know external accidents, these accidents will affect his personal environment or the entire market, these uncertainties may include events, resource endowment, production machine or public policy. The assets appraisal activities mainly involves three aspects: one, asset evaluation information demand, asset evaluation information providers and asset evaluation regulators.

According to the causes of uncertainty, uncertainty can be divided into subjective uncertainty and objective uncertainty. The former is the uncertainty of the event cognition, and the latter is the uncertainty of the result of the thing itself. The origin of the world is material, but the form of material is varied, and human beings live in a colorful world. The natural state of the objective world can not be exhausted. These objective phenomena, which are not transferred by people's will, can be called objective uncertainty. The objective world is the natural state while uncertainty, but people can rely on their own knowledge and experience of natural state may appear in the form of prediction, choice of action, different in different natural conditions but, due to the limited subject complexity and behavior understanding of the operation of the economic system, people can not accurately predict trends and results of economic operation, even for the same choice, the execution results may also be inconsistent.

This kind of uncertainty caused by subjective prediction ability of behavior subject is called subjective uncertainty. According to the sources of uncertainty, exogenous uncertainty and endogenous uncertainty can be classified. Exogenous uncertainty refers to the uncertainty caused by external reasons, sometimes called environmental uncertainty, which has nothing to do with the nature and capability of the economic subject itself. The so-called endogenous uncertainty refers to the uncertainty of economic behavior and economic results caused by the internal cause of the economic entity or its internal structure. Each economic entity's own knowledge, experience, and capabilities are different. In the course of economic operations, the buyer is not sure whether a suitable seller will be encountered, and vice versa. Neither side is certain about the conditions under which a decision maker cannot know the decisions or plans made by other decision-makers at the same time.

RICS Redbook (1996) mentioned in the concept of abnormal uncertainty, the uncertainty is divided into normal and abnormal uncertainty. The formation of abnormal uncertainty is closely related to the sudden changes in market conditions, such as financial turbulence, and may also be caused by the characteristics of assets, the type of litigation and the types of assets involved. They further believe that the actual scope of assessment in the range

of uncertainty than we know the normal uncertainty is much larger, so the appraiser should disclose the uncertainty of the situation, so that customers can judge the reality of assessment of the assets of the.

The first division, two kinds of uncertainty is built entirely that their preference in everyone and to all market prices fully informed two assumptions, but in reality these two assumptions can hardly exist, itself is uncertain. The second, third kinds of division and the two viewpoints are in essence consistent. Exogenous uncertainty is the uncertainty caused by the external environment in the process of development of things. The development of anything cannot do without the specific environment, the environment is complex and changeable, so that the development of things is full of uncertainty, and even some changes cannot be expected, it is objective, not the people's will for the transfer. The modern property rights "on the possibility of" a Book of risk and uncertainty analysis, with its point of view and the same Knight "risk, uncertainty and profit" is exactly the same: risk can be predicted, but insurance, and uncertainty is not, the risk is described as follows. The probability distribution is known, the number can be determined, closed and complete; and the probability distribution of uncertainty is not known, is uncertain, vulnerable to new things.

After Keynes's school and Austria school, with particular emphasis on the uncertainty and risk difference, they think the real economic world is not in a state of statistical control, economic decision-making basically is uncertain about the future of the decision. The school representative, Hayek has a deep research on the problem of uncertainty, that can be calculated or probabilistic risk and real uncertainty is strictly distinguish, under uncertainty condition, forecast in the best case is also uncertain, but in the worst case is not impossible. The uncertainty that cannot be eliminated, it is a fundamental characteristic of the free market, the mathematical model of economic phenomenon is unrealistic. Joel Seagal argues that uncertainty refers to the state of awareness of one or more alternatives that lead to a range of possible outcomes, but the likelihood of these specific outcomes is either unknown or practically impossible. Unlike risks, the purpose of uncertainty is not clear, and it is impossible to assume a comprehensive understanding of the scheme, which tends to differentiate between risk and uncertainty in practice.

Can be seen from the above analysis, western scholars understanding of uncertainty is not unified, to sum up, there are two different kinds of understanding: one is the uncertainty and probability of events associated with the variance of a random variable to describe the magnitude of uncertainty, that is to advance understanding of the risk can know all the possible outcomes, and the probability of each the results, and the uncertainty of understanding do not know all the possible results, or that may result, but do not know the probability of each outcome. For example, throw a coin, the result is either to know beforehand what is back, and the positive and negative probability is 50%, this is the risk of problems; and if the weather forecast is known to snow tomorrow, the snow may or may not snow, but the snow probability cannot be determined, this is the problem of uncertainty. Another is that uncertainty has no stable probability and is not related to probability events. Therefore, one cannot predict the probability of occurrence according to the existing experience or ability.

The first view is a denial of Knight's distinction between risk and uncertainty, equating uncertainty with risk, or that risk is contained in uncertainty. This view undoubtedly provides a way to characterize uncertainty in empirical research on quantitative measurement and management. Undoubtedly, if all the uncertainty can be measured by the probability, or by some numerical calculation, so that the uncertainty into uncertainty, which will reduce the adverse effects of various internal and external factors of the economic system, enhance the stability of economic operation.

In this paper, we tend to distinguish between uncertainty and risk, which are regarded as uncertainty, and the risk is defined as uncertainty with certainty probability. Asset valuation is a kind of assistant method to find assets value by simulating market, analogy analysis and hypothesis judgment before the transaction value is realized. The asset evaluation before the transaction, and the actual transaction in the assessment; because asset evaluation is always based on certain assumptions, and trading hypothesis has become a real market conditions; because the simulation is in general, but the real deal is an other; due to evaluate the need for not to make judgments, but the future is full of nature uncertainty. Therefore, asset evaluation based on hypothesis, analysis, inference and prediction is inherently uncertain. Uncertainty is a real and universal phenomenon in asset evaluation.

Uncertainty about asset valuation has yet to be defined. This paper argues that the uncertainty of asset evaluation refers to the inconsistency of the evaluation results obtained by the same appraiser for multiple evaluations of the same asset. What is emphasized here is that the same appraiser is the same as the 17, which is related to unexpected events and the subjective judgment of the appraiser, in which case the appraiser should give priority to disclosure.

Neutral principle means that the evaluators should maintain independent, objective and impartial stand in the course of the uncertain information disclosure. They are impartial and not partial to the information users of any party.

Evaluation is a process of value judgment, which tries to simulate the market process by certain methods, and evaluates the value of the assets based on historical data. The market value as the basic assumption to perfect competition or complete information, is to determine the value of assets, under ideal condition, however, we live in a world of uncertainty, the objective existence of uncertainty is the assets assessment of the phenomenon. What a best evaluator can do is to rely on information and information, techniques and experience to rule out other possibilities, make assumptions about the most likely circumstances, and obtain relatively definite assessment results. Due to the uncertainty is the objective and universal phenomenon, if we ignore or avoid it, it may cause the evaluation results based on the subjective basis, so as to reduce the evaluation process and the results of scientific and practical evaluation, eventually making mistakes report users. So, to assess possible uncertainties in the process of influencing factors were analyzed to find out the cause of the uncertainty evaluation results, and to assess the teacher assessment report user to better understand and use the evaluation results provide the basis, is the inevitable requirement of development assessment and scientific decision-making.

Uncertainty runs through the whole process of asset evaluation, permeates all aspects of asset evaluation, and has many influencing factors. From the big aspect, the influence factors of the uncertainty of asset evaluation are divided into four parts: the evaluation entity, the evaluation object, the evaluation method and the evaluation environment. The uncertainty caused by the evaluation entity is mainly reflected in the low price competition of the evaluation institution, the quality of the evaluation personnel, the strength of the professional ethics and the subjective judgment.

The asset appraisal institution of the low price competition has been plagued China's asset appraisal problem of the healthy development of the industry, although the "registered assets appraisal basic standards" occupation morality prohibits to reduce fees and other unfair means of soliciting business, but low price competition has become increasingly fierce, especially after the restructuring in the industry, many firms have lower prices "as the main means of competition to maintain the survival of the. However, the enterprise is in the pursuit of profit maximization, reduce fees will inevitably lead to the cost reduced, or even reduce some of the

necessary assessment program, which will reduce the quality of asset evaluation, asset evaluation results have led to greater uncertainty.

China's asset appraisal industry has not been developed for a long time. Due to some specific historical conditions, the supply of labor market in the assessment industry is insufficient. In recent years, with the rapid increase in the number of project evaluation, assessment agencies will surge, also a substantial increase in the assessment of the needs of practitioners, making assessment of staff shortage, which makes many assessment agencies to reduce the personnel evaluation standards, the evaluation of the overall quality of the staff is uneven. Assessing the level of knowledge, expertise, and experience of a person makes a difference in the understanding of the same person by different evaluators. The low quality of the personnel assessment, probably because of improper operation, the objective condition of evaluation results and assets far, even for different assessment personnel the same assessment agencies, may draw a different assessment results.

Some of the assessment personnel occupation moral quality is not high, in the assessment process, assessment of responsibility is not strong, only by subjective wishes and personal experience; some even blindly meet the requirements of the client can not abide by the independent, objective and impartial manner, abandoned the occupation ethics basic, great not to the results of the assessment. Uncertainty.

Although there are many factors that influence the uncertainty evaluation, the subjective judgment is the biggest influence. In the evaluation process, the evaluation staff must face a great deal of uncertainty information, and it needs the evaluation personnel to make use of their professional knowledge and experience to analyze and judge. Different appraisers will make great differences in the value of evaluation because of their differences in knowledge and experience, work attitude, risk preference and understanding of information. In the assessment of the results obtained, assuming that other conditions remain unchanged, the appraiser is in a certain range of assessment of the value of right to choose, it all depends on the impact of asset appraiser assessed by the uncertainty of the value of information is cautious judgment or optimistic attitude. Therefore, it is necessary for the appraiser to judge the possible values in the range of the evaluation value to reduce the uncertainty of the evaluation results.

The uncertainty caused by the evaluation object mainly includes the inherent uncertainty of assets, the liquidity of assets, the validity of data, and the influence of clients on appraisers.

Any of the assets has its own inherent characteristics, these characteristics will affect the uncertainty, including reflecting the market of these features, as well as in the process of market pricing in different characteristics of the impact of price level. In the asset evaluation process, the assessor will give additional attention to certain characteristics of the asset and will have an impact on their judgment.

The liquidity of an asset depends not only on the nature of the asset itself, but also on the market and other external circumstances. The greater the liquidity of an asset, the less uncertainty it has. Liquidity is strong, will gradually form a complete property rights trading market, the evaluation value will be bound by the market price mechanism, the assessment results obtained by the assessor will be closer to the real value of assets. At the same time, liquidity affects both the value range and the confidence level. The stronger the liquidity, the smaller the value range, the higher the confidence level, and vice versa.

Need to have sufficient data of asset evaluation, but in the data collection process, the method and the way of information source, has the particularity, difficult to obtain accurate and comprehensive information and data. The validity of the data may affect the scope of the evaluation results and the confidence level of the most possible value range. Therefore, the lack of validity or effectiveness of the data will increase the uncertainty of the evaluation.

Another important factor in assessing the uncertainty of an object is the impact of the customer on the evaluator. From an economic point of view, both the customer and the evaluation agency are rational economic people, and the purpose of all their actions is to maximize their own interests. Customer and stakeholder evaluation report due to the use of different purposes, sometimes have a conflict of interest, then, customers generally want to influence by assessors and assessment process, in order to achieve the purpose to their advantage. In order to obtain the income from customers, the evaluation institution may succumb to the unreasonable demands of the customers, or omit some evaluation procedures to reduce the cost due to the pressure of the charging. As a result, the evaluation institution will be influenced by the client's customer relationship even if it appears in an independent form.

Customers generally through two ways impact on appraisers applied, a is used to be assessment of the assets and asset market expertise and has assets of the master or control information to influence, two is the use of power to pay the cost of the assessment of the influence. To assess the impact of smart clients usually use professional knowledge and information, while ordinary customers will pay by the right and compulsory rights impact assessment; abide by the occupation moral assessment division even by the customer won't make the evaluation results beyond a reasonable range of deviations, and does not abide by the occupation moral assessment division will make the evaluation results beyond reasonable the scope of the deviation. In the first case, because there is a lot of information about the assessment division of assets and asset markets to provide customers, and to determine the information to assess the division is very important, so that customers have the opportunity to use its assets and asset market information and understanding of the situation to influence the appraiser and appraisal process. Although customers have a lot of information, but for their own interests, they may choose to provide information to evaluators, and even provide false information. Sometimes, individual customers may have a good understanding of the evaluation techniques and methods of assessment, and they will make recommendations for the evaluation methods and evaluation parameters that the appraiser chooses, thereby affecting the subjective judgment of the appraiser. In the second case, as the customer has the right to select the evaluation institution, the client may choose another evaluation agency if the appraiser fails to meet the requirements of the client when signing the entrustment agreement. In the assessment of the increasingly fierce competition in the industry today, the evaluation institutions for their own survival, have to consider the requirements of customers, and make customer satisfaction as much as possible, so that the assessment results are conducive to customer purpose. In addition, when the customer refuses to pay reasonable costs of evaluation, assessment agencies may be in order to save time and less work procedures, or send the young, less experienced appraisers do this business, the quality of which will affect the assessment report.

The asset appraisal method is the technical means used by the appraiser to evaluate the value of the assets to be evaluated, including the market method, the income method and the cost method. As far as the methods are concerned, they are scientific and effective. However, in the process of actual evaluation, how to choose the evaluation methods and evaluate the parameters is uncertain.

Although the theoretical basis of the three different methods of evaluation, different angles and applicable conditions are different, but they all belong to the basic method of asset evaluation of specific assets, they may all be the way, this is how to select the evaluation method of the problem.

Assessment results and information economics argue that, as long as human beings are engaged in economic activities, uncertainty is bound to exist in the environment in which people are faced, so exogenous uncertainty is objective uncertainty. Endogenous uncertainty is

in the process of cognition and things being reflected in the analysis of people affected by subjective factors, cognitive level and ability to judge the ability to influence the impossible to completely and accurately reflect the cognition of uncertainty, so the endogenous uncertainty is also called subjective uncertainty. Fourth kinds of division, normal uncertainty is generally considered to be objective and unavoidable, and abnormal uncertainty can be controlled, reduced, or even eliminated.

The uncertainty in asset valuation is objective, as Lubin, the former Treasury Secretary, said: "the only certainty in the world is uncertainty." This uncertainty may arise from either the difficulty of economic measurement or the complexity of economic transactions, or the complexity of the objective environment. Since the uncertainty of asset evaluation is inevitable, it is necessary to correctly understand and treat it to minimize its negative impact. The uncertainty caused by information asymmetry, information asymmetry is not only because people often lack the ability to understand, do not know in any situation where and when happened or will happen, what is more important, because the actors in order to fully understand the cost of information cost too much, does not allow the master complete information. The problem of asymmetric information originates from the information disclosure, and the solution of the problem lies in the good construction of the information disclosure system. In order to ensure the objectivity and fairness of the results of the asset evaluation, the evaluator must pass the information on the current status and future prospects of the external information users as well as the uncertainty information in the evaluation process. The property of asset evaluation also determines that the information disclosure system must be established in the asset evaluation market. Because: asset assessment is very professional. In the process of asset evaluation personnel make professional judgment on the value of assets is evaluated, according to a large number of data, by calculating the complex and detailed technical process and necessary, do not have the corresponding professional knowledge is difficult to complete the evaluation work.

Asset evaluation is asymmetric. The allocation of asset information between the voluntary buyer and the voluntary seller and between the voluntary buyer and the evaluator is extremely asymmetric. I hope all willing buyer could obtain information assets, and a willing seller yet instinctively tend to provide less information as much as possible, because the disclosure of relevant information will produce cost, more important is to make themselves in a disadvantageous position in bargaining.

Because of the existence of professional evaluation and asymmetric information, if there is no information disclosure system, a small number of people will make use of information to manipulate the value of the assets in advance and damage the interests of the buyer. Only if the uncertainty is disclosed to the investors in an open, fair and equitable manner, can the minority be prevented from manipulating the value of the assets by means of information superiority and fraud and speculation.

The following principles should be followed in the process of uncertainty disclosure:

The term "full disclosure" means that the information necessary to achieve justice reflects uncertainty and its impact, and that it should be fully understood and understandable by the user. The purpose of full disclosure is to meet the user's decision needs and to make the information available to the user to understand and make decisions that are useful for their decisions.

Disclosure of all uncertain information is neither possible nor necessary. Information redundancy and redundant information are detrimental to the decision making of information users. Therefore, the uncertainty information should be screened according to the cost-effectiveness principle and the needs of the information users, and the information that has a significant impact on the investors should be revealed. Whether individual matters or

comprehensive evaluation, uncertainty in the final settlement of possible losses, and its significance should be highly valued appraisers. The appraiser's consideration of materiality principle is essentially a professional judgment, depending on the appraiser's perception of the needs of the beneficiaries of the evaluation report. Sometimes uncertainty is not sufficient in depth or breadth in nature or in the frequency of occurrence; the assessment of institutions and personnel has been dealt with lightly.

The impact of the market environment on the valuation is obvious. If the perfect market mechanism, assets will flow in accordance with market rules, the evaluation value is mainly determined by the market supply and demand and price mechanism; if the market mechanism is not perfect, no value after the test of the market, not the market reference price, valuation is likely to deviate from the real market prices, thereby affecting the accuracy of the assessment results. In order to assess the value of assets most likely, the appraiser must understand the assets and its market environment, taking into account all possible buyers in the market, and the purchase price of the ability and their attitude to make evaluation. Appraiser when making value judgment, because in the market analysis and asset pricing, there are many uncertain factors, often require the use of judgement, this will give the results brought some uncertainty.

In addition, the level of market perfection and dynamic changes (the dynamics of the market are usually represented by the slopes of the normally available value curves) also have an important impact on the smoothness and slope of the value curve. The more perfect the market is, the steeper the value curve is, the probability that the most likely value will increase, and the extent of the value distribution will shrink. On the contrary, the lower the value curve, the probability of a single value point will be reduced, and the scope of the value distribution will be expanded. In a rapidly developing market, uncertainty tends to increase, and uncertainty tends to weaken in a declining market.

In the asset appraisal activities, the evaluation institution essentially obtains the Commission by transmitting and evaluating relevant information, and the information related to the evaluation is the resources that the evaluation institution must have. In the asset evaluation activities, the asset appraiser must also care about and grasp the market information, the national economic development information, policies and regulations, information, customer information and so on. If you do not have a complete and accurate information of the environment, will not only increase the uncertainty of property assessment, evaluation results can not guarantee the quality, increase the risk of asset appraisal practice, or even decline because of social credibility and the basis for the existence of lost assets evaluation. Therefore, asset evaluation must have a good information environment. As an indispensable intermediary industry under the market economy condition, asset appraisal bears the responsibility of maintaining the interests of both sides of the transaction, regulating the order of market transactions, ensuring market safety and maintaining social credit. This is because any transaction activity under the market economy condition, the transaction both sides need to understand the credit situation of the transaction object first, and determine the risk that oneself will undertake. The assets appraisal institution and the appraisal personnel are the main behavior subjects of the assets appraisal activities, and their good faith condition and condition directly influence the quality of the assets evaluation. The integrity of the asset appraisal institution and evaluation personnel in the process of practice, not only can accept the entrusting party and the social parties integrity of the relevant information and real information, and can correctly modify or reject the entrusting party and social related party non credit provided by the relevant information is not true and information, so as to provide with good faith service for the client and the related parties. For not the integrity of the asset appraisal institution and evaluation personnel, even if the information provided by clients and related parties and the integrity of the information is true, there is no guarantee that it can provide to meet the integrity of standardized service for the client and the related parties.

The current market method, cost method, income method is considered to be the most reliable of the three kinds of assessment methods, they are based on complete information assumption, is a deterministic method, the result is a single equilibrium solution. But the reality is that the asset appraisal facing the market conditions are uncertain, the problem to the study of asset assessment of uncertainty is very strong with the deterministic methods, the evaluation value obtained by the real value and in most cases cannot correctly reflect the assets. Therefore, teachers need to assess change a point of view, based on the three basic methods of the traditional, some research methods of other disciplines, evaluation of the uncertainty of assets, complements and perfects the existing evaluation methods.

2. METHODOLOGY

The major goal of this research is to test the existence, extent and function of disclosure about the uncertainty in valuation, which will give a accurate description and disclosure guiding on it. Our research will focus on these assumptions as followed.

Whether the uncertainty exist in valuation?

How to disclose the uncertainty?

Is there any unitive function to disclosure the uncertainty?

Can the customers accept the uncertainty?

In this research, we take questionnaire survey as our major way of getting data. The questionnaire resources are from two meetings. 130 questionnaires were sent in the meeting of "New Accounting Criterion and Valuation", in which 91 questionnaires were returned. The other 90 questionnaires were sent in the meeting of "Liaoning Continuous Education Training", and 71 of which were returned. In order to keep the reliability of the questionnaire, these questionnaires were completed independently and anonymity, without any discussion, which is to avoid the internal disturb. In order to keep the validity of the questionnaires, this research took sex, age, education, position in the company, scale of the company and working years as our variables. We tried to send the questionnaires in these persons well-proportioned, in order to make our research more credible.

3. RESULTS

3.1. The Existence of the Uncertainty

In this part, there are two questions:

Whether the appraiser can exactly appraiser the market price of the asset?

Is there any uncertainty in the appraisal field now?

The data is shown as follow. We can get the conclusion that most of the appraisers believe that the appraisers can't exactly appraise the market price of the asset, and the uncertainty exactly exist in the appraisal field, which gets the rate of 84% and 97%. And these figures have no significant fluctuation between the different sex, duty, scale of company, education and working years. It proves that the appraisers have a general ideal on these questions.

3.2. How to Disclosure the Uncertainty

In this part, we choose three questions:

Have you ever disclosure the uncertainty of the appraisal?

Can you accept to use a appraisal range to show the result of the appraisal?

which range can you accept?

The conclusion is shown as follow.

We can see that 89% of the appraisers have disclosed the uncertainty of the appraisal. This figure doesn't have significant fluctuation between different scale of company and duty, but the rate goes up as the growing of working years. The 81% of the appraisers who work less than 5 years chose "Y", and the rate goes up to 89% and 92% in the appraisers who have 6 to 8 years and more than 8 years experience.

We can see that 89% of the appraisers accept to use a range to show the result of the appraisal. This figure has a significant fluctuation according to the different duties. The management level mostly agrees this assumption, which is all above 80%. However the certified appraiser's rate is just 71%. The reason may be for that the management level focus more on the macro environment. And the certified appraisers mostly focus on the technology level.

We can see that most of the appraisers chose 10% to 20% as their standard level. This figure has no significant fluctuation between different persons.

3.3. Is there the Method of Uniform to Disclosure the Uncertainty

In this part we will research whether the appraisers prefer to get some guides from the guild and whether the guides should be operated in the whole appraisal field. The figure is shown as follow.

We can see that 96% of the appraisers prefer to get some guides from the guild. This figure has no significant fluctuation according to the variable of education, duty and working years. Non of the figures falls below 80%.

We can see that there is 69% of the appraisers agree with this question, and there is a significant fluctuation according to the variable of education, working years and duty.

According to the education variable, all of the appraisers with master degree chose "yes". The percent of this in the appraiser with bachelor is 74%, which falls 38% in the others. It shows that this assumption is more acceptable to the well-educated.

According to the working experience, 39% of the appraisers who works less than 5 years accept this assumption, which rise up to 71% and 74% in the appraisers working 6 to 8 years and more than 8 years. It shows the more skilled appraises are more easy to accept this change. Moreover, it maybe the more skilled the appraiser is, the more easy he can handle this change.

According to the duty, the members of right and the general managers all accept this assumption absolutely, which falls to 68%, 54% and 32% in the department managers, project managers and certified appraisers. The reason may be that the management level more focus on the macro factors, such as customers, industrial development and the guild. The technology level more focus on the technology factor, and this change will enhance their working hardship. So the more the appraiser has management duty, the more he prefers to accept this assumption.

3.4. Can the Customers Accept the Uncertainty?

In this part, we design two questions:

Whether the disclosure of the uncertainty will reflect on the reputation of the appraisal industry?

Whether the customer will accept the disclosure of uncertainty factors?

The figure is shown as follow.

We can see that 80% of the appraisers agree to disclose the uncertainty factors. And this figure has a significant fluctuation according to the education and duty variables.

All of the appraisers with master degree agree that the customers will accept the disclosure of uncertainty and it won't reflect on the industrial reputation. This figure falls to 88% and 70% in the bachelors, and 56% and 50% in the others. It means the knowledge level has affect on these two questions.

According to the duty variables, the senior managers more prefer to disclose the uncertainty factors. It may be for the senior managers have a more contact with the customers in the negotiation, and they more familiar with the customers.

4. CONCLUSION

Through the analyze above we can get the conclusion that the uncertainty factors exist widely in the appraisal. Most of the appraisers have disclosed these factors, and most of them believe that we should use a valuation range instead of a simple number to disclose the appraisal conclusion. Based on these conclusions, we give some advices as follow.

The appraiser the appraisal enterprise should consider the uncertainty factors adequately, which involves market, industry, Information asymmetry and so on. We should pay enough attention to the risk taken by the uncertainty factor; try our best to disclose the uncertainty to the customers, which can avoid the risk and service the customer better.

The appraisal guild should give more researches and the guides to the disclosure of the uncertainty in the appraisal. The appraisal report mostly reports the appraisal conclusion in a single number with a simple explanation, which contains very limited information in it. On Nov. 28 2007 the Chinese Appraisal Guild enacts the "Chinese Appraisal Criterion", in which it pronounced clearly that the appraisal conclusion could be shown in the function of ranges with the communication to the customers. We suggest the appraisal guild enhance the guides on the uncertainty further, announcing formed criterion on the uncertainty

The financial company should consider and use the appraisal report in a right way. The financial company should pay attention to the uncertainty in the appraisal, which asks the financial company to communicate with the appraisers adequately, understand the assumption, procedure and other factors reliable to the appraisal conclusion. In order to make some necessary adjustment and use the appraisal report in the reality situation, avoiding the risk taken by the appraisal accuracy.

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