

ABOUT ETHICS IN PLANT, MACHINERY AND EQUIPMENT VALUATION DOMAIN

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Abstract: : In this paper we put in discussion some ethical aspects of plant, machinery and equipment valuation. After a presentation of the general issues of ethics in valuation domain, we analyze the application of the fundamental ethical principles in plant, machinery and equipment valuation domain. To support our conclusions we use some findings of a study that we conducted to identify the particularities of the plant, machinery and equipment valuation activity in Romania.

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1. INTRODUCTION

Experts in the field appear to be showing an increasing interest in valuation ethics at present. Thus, we can identify a series of materials dealing with various aspects of this field that have been put together recently by Romanian authors such as Ababei (2015, 2014a, 2014b, 2014c), Vascu (2015a, 2015b), Cintează (2015), Lazăr (2014), Vuşcan (2014) or Petre (2014), as well as foreign ones like Cappelli (2015), Ayuthaya & Swierczek (2014), Christensen (2014), Craig (2014), Hood Jr. & Lee (2013) or King (2013).

According to The Explanatory Dictionary of the Romanian Language (DEX) published in 2009 (<http://dexonline.ro/definitie/etica>), ethics are a set of norms based on which a human group regulates their conduct to determine what is legitimate and acceptable in terms of goal achievement. Generally, the ethical norms that govern a profession are compiled in a Code of Ethics and serve to increase public trust in the activity and results of individuals practicing that particular profession.

In Romania, professional valuers operate under the National Association of Authorized Romanian Valuers (ANEVAR). The Code of Ethics by which this association operates is available on its website (http://nou.anevar.ro/sites/default/files/page-files/cod_etica.pdf) to guide both its members and non-members and applies to all authorized valuers. In fact, this is the standard mode of operation to be identified with all well-organized and well-represented professions.

The Code of Ethics of Romanian authorized valuers includes the following fundamental ethical principles:

Integrity – basically, authorized valuers must be straightforward and honest in their professional and business relationships;

Objectivity, independence, impartiality – basically, authorized valuers must avoid conflicts of interest, influences or preferences that could impair their professional judgment;

Confidentiality – basically, authorized valuers must maintain the confidentiality of the information they are provided with as a result of their professional relationships, must not disclose this information to any third parties unless specifically authorized to do so (unless they are legally or professionally entitled or bound to disclose it) and must not use this information to their advantage or to that of any third parties.

Professional competence – basically, authorized valuers must maintain an appropriate level of knowledge and skill in order to be able to provide a set of competent services to their clients or employers based on the current practices, laws and methods; to operate in a serious manner and in accordance with the professional valuation standards applicable to the members of the Association.

Professional conduct – basically, authorized valuers must comply with the laws and regulations applicable to the valuation of assets and avoid all actions that might disparage the profession.

Failure to comply with the provisions of the Code of Ethics constitutes a disciplinary violation and will result in the authorized valuers being held liable. In this case, the sanction is established in accordance with the Regulations of the Ethics and Discipline Committee approved by decision no. 2 of the National Conference of ANEVAR dating from May, 19th, 2012 (available at http://nou.anevar.ro/sites/default/files/page-files/regulament_comisia_de_etica_si_disciplina.pdf). Hășmășan (2013), Chairman of the Ethics and Discipline Committee (EDC) of ANEVAR in 2013 and 2014, synthesizes the proceedings, which are conducted in four stages: the first stage consists in the apprehension of the EDC and is followed by the preliminary disciplinary investigation, the actual disciplinary investigation and finally the resolution of the disciplinary action. Basically, the disciplinary proceedings are initiated upon the apprehension of any natural person, legal person or interested party or upon ANEVAR's Chairman's self-apprehension based on various sources including mass-media articles. The proceedings can also be extended to other actions conducted by the person of interest or other authorized valuers involved in the actions that are being investigated. The preliminary disciplinary investigation is initiated within no longer than 30 days after the registration of the apprehension and is conducted by the reporter assigned by the Chairman of the Ethics and Discipline Committee from amongst its titular members. Both the person of interest and the party who has filed the request can be called to assist with this investigation as can any other party involved whose statements can assist in the resolution of the cause. At the end of the investigation, a preliminary report will be issued based on the reporter's conclusions (requiring that the case be filed or that a disciplinary sanction be/not be applied). The actual disciplinary investigation takes place during an EDC meeting, where the solution is subject to vote. The results will be registered in a précis (the case may be filed or a disciplinary sanction may be applied/dismissed), with the person of interest to be informed of the results of the voting session. Finally, upon the receipt of any observations or after a period of 10 days, the précis will be forwarded to the Board of Directors or the National Conference, depending on the case. Depending on the case, the disciplinary action is to be resolved by the Board of Directors or the National Conference through a decision

(not necessarily following the recommendations of the EDC), the filing of the case or the application/dismissal of a disciplinary sanction.

However, Ababei (2015) states that abidance by ethical principles should not stem from fear, but rather from the valuer's upbringing, from "countless" years of study/training and, last but not least, from the pride of being a member of a well-established Romanian association.

Next, we will analyze and provide insight into the "letter" and "spirit" of each fundamental principle mentioned earlier based on the specialized literature and the national and international practices, as well as the particularities of plant, machinery and equipment valuation, if any.

2. INTEGRITY

Generally, integrity is the main principle stated within any Code of Ethics. Authorized valuers must show proper conduct and honesty in their relationships with their clients, fellow authorized valuers or any other person they may develop professional and business relationships with at any given time.

According to Closser (2007), historically, integrity is also stated as a fundamental ethical principle in the very first Code of Ethics, which was published by the American Institute of Real Estate Appraisers (AIREA) in 1933. Furthermore, Closser (2007) shows that by the late 1930s, Appraisal Journal articles were already emphasizing the importance of integrity. For example, Harry Grant Atkinson points out in his article "Professional Ethics", which he published in 1939, that "being ethical is synonymous with being worthy of respect and confidence". Also historically, Closser (2007) emphasizes within the same paper that back in the 1980s, AIREA decided that violations involving honesty and integrity issues (ethical violations) be subject to disciplinary actions as per the established proceedings while violations of standards (as a result of error or carelessness) be addressed through counseling. This decision was based on the belief that ethical principles are of greater importance than errors.

The ANEVAR Code of Ethics also stipulates that the authorized valuer shall not willingly issue any valuation or verification report, nor shall they state any other opinion regarding the valuation process based on:

- false, erroneous or incorrect statements or information;
- fundamental errors committed by omission or intent.

Inherently, no valuation report should be based on any of the aforementioned factors. In addition to this, should the authorized valuer discover any such pieces of information or errors, they must take all necessary precautions to correct them immediately and inform the client of the situation.

The calculation of the fees to be charged for the work that has been undertaken is also related to the fundamental principle of integrity. This fee must not be calculated as a percentage of the estimated value, nor must it be conditioned by the proposed value or the incomes or taxes associated with it. Ababei (2014a) points out that the fees should not be expressed as a percentage of the estimated value under any circumstances in the context of the evolution of

the valuation profession in Romania. Furthermore, any offer or acceptance of gifts, accommodation or other types of services can lead to obligations that might taint the valuer's integrity. Additionally, ANEVAR's Code of Ethics stipulates that the fee must not be influenced by any future event or benefit.

There are no particularities as far as the application of the principle of integrity in the field of plant, machinery and equipment valuation is concerned for it addresses general aspects regarding the valuer's conduct in their relationships with their clients, the elimination of errors from valuation reports, as well as the calculation of fees to be charged for valuations conducted by authorized valuers.

3. OBJECTIVITY, INDEPENDENCE, IMPARTIALITY

The principle of objectivity forces the authorized valuer to carry out their valuation activity while showing professional conduct and reasoning, untainted by prejudice, conflicts of interest or influence from any other parties.

According to ANEVAR's Code of Ethics, the authorized valuer must be impartial, independent and honest. Any uncertainties regarding the principle of independence or impartiality must be addressed to the parties involved and eliminated or minimized in order for any suspicions regarding the conclusions of the valuation work to be avoided.

This principle has caused the highest level of debate in the specialized literature both nationally and internationally. According to Closser (2007), historically, this principle also features in the very first Code of Ethics, which was published by AIREA in 1933.

Vascu (2015a) states that the principle of independence can be approached from several perspectives:

Independence as a requirement of the Code of Ethics according to which a valuer must conduct their activity while showing impartiality, independence and honesty. Any potential uncertainty regarding the principle of independence or impartiality must be addressed to the parties involved and eliminated or minimized in order for any suspicions regarding the conclusions of the valuation work to be avoided.

Independence in terms of both the valuation activities and lending services of financial institutions.

Independence as a fiscal requirement associated with a regulated profession. Once a dependent profession has been adopted (salary income), the fiscal treatment will differ from that applied to registered or independent freelancers.

Independence as a sovereign opinion on value which can only be expressed by a valuer.

The latter approach is of great importance for it places this ethical principle in direct (and often an unfavorable) relation to the expectations of clients concerning the value established in the valuation report. The value in question must not be negotiable under any circumstances because the expectations of clients are significantly influenced by the intended use of the asset subject to valuation and not the professional judgment that must lead to the estimation of a value. Vascu (2015a) emphasizes the fact that an asset cannot have more than one value at a specific moment while serving a specific valuation purpose and that the valuer should be able to determine that value by a margin of error of 10%.

According to Cappelli (2015), there are at least two main factors behind the principle of independence: the valuer's ethics and their relationship with their clients. Only the former can be considered dependent on the valuer's resolve and willingness to adopt moral conduct as per various Codes of Ethics and Professional Conduct issued by professional national or international bodies. As regards the latter, the valuer alone cannot guarantee their relationship with their clients.

Numerous beneficiaries of valuation reports also agree on the need for this principle to be applied. Upon being interviewed, Cintează (2015), Head of the Supervision Department of the National Bank of Romania, makes the following statement: „In my opinion, both banks and valuers should abide by the principle of independence unconditionally. Perhaps the agreements concluded between the two parties should clearly state what the term «independence» involves and what the duties of the two parties are in respect to this principle. However, I would draw attention to the fact that valuers should be aware of both the significant role they play in the loan approval/monitoring process and the impact of valuations on the registered provisions. Valuers should prove their independence through solid professional judgment and properly documented valuation reports.” Furthermore, Vușcan (2014), Chief Executive of the Loans Department of Transilvania Bank, states that the valuer's independent status causes them to act as a point of balance between the demand and the offer, between the loan applicant's funding needs and the financier's ability to address them. Moreover, Petre (2014) associates the principle of independence with the auditor's work based on the fact that an independent valuer's involvement reduces the auditor's work volume as well as the risk of potential material errors being overlooked significantly while maintaining their duty to verify the valuation reports as part of the audit process.

Based on the importance of the valuation profession, we believe the interest of clients of valuation reports in the value established by the valuer to be justified. However, their request that a certain value be estimated by the valuer is unethical. According to Vascu (2015b), asking a valuer to estimate the value of an asset as other than the value resulting from the valuation process is the same as forcing a pilot to take off to a destination where landing is known to be impossible due to adverse weather conditions. Should they acquiesce, the result would be a disaster for both the pilot and the passenger. King (2013) synthesizes this aspect perfectly from an ethical point of view, revealing a potential dialog between the valuer and the client, where the client says “Here is the transaction we have in mind and we have to get to value X. Can you do it?” and the valuer should reply by saying “We don't rent out our letterhead and we don't sell answers.” Vascu (2015b) identifies three distinct positions a valuer can adopt when faced with a demand for a valuation report from a client who expects a certain result.

The valuer understands the assignment and has the necessary qualifications to do it. The valuer accepts the assignment, negotiates the contract terms, but will not “negotiate” their opinion on the value. If the client persists and the valuer fails to convince them about the inadequacy of such practice, the latter will decline the job.

The valuer does not have the required expertise or qualifications to issue the valuation report. In this case, there are only two possible solutions. They will either team up with a more experienced valuer or refuse the assignment. Otherwise, they will be tempted to fabricate the value demanded by the client, focusing on those

assumptions and methods that may lead to the desired result, which could even be mathematically correct.

The valuer understands the assignment and has the relevant expertise, but chooses to use such experience to find solutions to the “client’s problem” rather than argue the inadequacy of their request. Such conduct ignores the valuation standards, the Code of Ethics and ultimately, the entire profession and therefore must be rejected.

As clearly indicated in all three situations, valuers must reject any type of work that might compromise their independence. In fact, this is an express provision within the ANEVAR’s Code of Ethics. According to it, the valuer must reject any valuation work that poses unquestionable threats to their objectivity, impartiality or independence. Experts in the field (Lazăr, 2014) consider that valuers have found themselves in a position where they have been forced to reject certain projects over recent years in order to maintain their independence for similarly to all other professionals, valuers must know when to say no and must abide by the Code of Ethics of authorized valuers.

As far as plant, machinery and equipment valuation is concerned in particular, this principle raises the greatest number of issues as a result of the numerous threats to valuers’ independence that can be encountered in this field.

The greatest threat to valuers’ independence lies in the very low demand for plant, machinery and equipment valuation work. It is well-known that in Romania most valuation projects target the real estate and financial reporting markets. However, there is clearly no solution to this problem for there is no measure to be taken in order to increase the demand for plant, machinery and equipment valuation work.

Another threat to the independence of plant, machinery and equipment valuers lies in the size of the fees they can charge for their work in the field. Most such projects are rather small, causing the fees to be rather inconsistent too.

It is also very important to mention the fact that in the case of plant, machinery and equipment available in large quantities on the market, such as means of transportation, for instance, and their market approach, there is a risk that valuers might select the “comparables” which may cause an increase or decrease in value, as per the client’s demands.

However, irrespective of these plant, machinery and equipment valuation factors, they must resist any pressure from the client’s side and not put the opportunity to complete a plant, machinery and equipment valuation job or negotiate a higher fee above ethics. Because of these threats to valuers’ independence, Cappelli (2015) states that in the face of this difficult and peculiar independence issue as well as an attempt to demonstrate the valuers’ independence as required by regulators, banks and associations, more and more people talk about “Chinese Walls” as panaceas, as the “walls” built to prevent pressure on valuers during the credit decision/underwriting process. Also in an attempt to provide solutions to this situation, Vascu (2015a) proposes that written agreements between valuers and clients should contain the definition of a valuer’s independence along with the rights and duties of the parties involved in this respect.

According to Hood Jr. & Lee (2013), the lack of independence is one of the sixteen mistakes to be avoided in valuation. At the same time, the study conducted by Ayuthaya & Swierczek (2014) confirmed the hypothesis according to which less conflict of interest increases investor confidence significantly.

The objectivity of valuation reports must be specially mentioned for, according to Ababei (2014b), they start and end with four or more short statements. One of these statements is “The value is subjective”, which raises the big question: Is the value objective or subjective? In order to prove that value also has a great deal of objectivity to it apart from the subjectivity of the statement within the report, the same author asks the following rhetorical question: But (is the value) fully subjective? Why do we try so hard every minute we dedicate to our profession? So that those who contact us for our services do it because we sense the value? Or so that those who contact us for our services do it because of our qualifications, knowledge, ability to present arguments, logical reasoning and the experience we gain with every minute we dedicate to our profession? Obviously, all these rhetorical questions are designed to establish the level of objectivity of the value established as per the valuation reports.

Valuers are expected to report an objective value, but the level of objectivity drops if a valuer’s result is biased by unsupported personal beliefs. In this context, Hanford Jr. (2011) draws a very interesting parallel between valuers and consultants, claiming that it is acceptable for a consultant to base a recommendation on performance forecasts that may not be supported by the information currently available on the market, but any such initiative on the valuer’s part would constitute a violation of the professional standards.

As far as the Romanian plant, machinery and equipment valuation practices are concerned, a study conducted in October 2014 reveals that out of the 104 subjects who were experts in this particular field (who constituted 18.44% of the 564 potential subjects – a percentage deemed significant), only 2 (1.92% of the total number of subjects) claimed their choice of a particular approach to the estimation of the value of the plant, machinery and equipment to be “imposed by the beneficiary”. Although we deem the number of such cases to be insignificant, we must state that it is regrettable that any part of the valuation report be elaborated “as the beneficiary imposes”, even if an isolated case.

4. CONFIDENTIALITY

ANEVAR’s Code of Ethics stipulates that the authorized valuer must maintain the confidentiality of the information they are provided with regarding the client as well as the work they undertake and must be cautious and alert to avoid any unintentional revelations. The authorized valuer will only reveal the values calculated as part of the valuation work or other pieces of information mutually accepted as confidential in nature to the client or the beneficiary of the valuation work or other parties authorized by them, except for those situations where they must be revealed as requested by law to abide by certain legal procedures.

According to Closser (2007), historically, confidentiality also features in the very first Code of Ethics, which was published by AIREA in 1933.

The principle of confidentiality also applies to the collaboration between valuers with the purpose of valuing the same good. According to Ababei (2014c), valuers cannot collaborate, consult with each other or use the data, analyses or results obtained by other valuers. In addition to this, it is important to also take into consideration the fact that the provisions regarding the principle of confidentiality must be extended to all of the valuer’s employees or collaborators. ANEVAR’s Code of Ethics states very clearly that the valuer must take all necessary precautions to ensure that the principle of confidentiality is abided by all parties involved. Moreover, neither

the valuer nor the employees or collaborators are to be cleared of their confidentiality related duties upon the completion of the valuation work. Also, experts in the field like Christensen (2014) believe that the valuer can also have other similar duties as per the service provision agreement apart from those stipulated in the Code of Ethics for this document establishes the legal framework for the regulation of the confidentiality related duties to be considered in the relationship between the valuer and the client.

Lazăr (2014) draws an interesting parallel between the valuation profession and cartography, targeting valuers working for companies that provide other types of consulting services as well in particular. Here, “the cartographer’s work” acquires continental proportions and requires highly precise documentation for each line marks a different territory and the “cartographer” is forced to find the middle way between the independence of the valuation work they conduct for a client and their provision of complete and relevant information to other clients.

From a practical standpoint, the studies in this field conducted in Lithuania by Galiniene et al (2005) emphasize that only 2% of the subjects admitted to indiscretion being a common issue. We must admit that this percentage is very low and regrettable at the same time, as is the incidence of independence violations in the field of plant, machinery and equipment valuation in Romania. Both this particular study and that regarding the situation in Romania reveal the fact that these ethical principles are still being violated for various reasons at the present moment. However, the cases tend to be very isolated.

The valuer may find themselves forced to break the confidentiality agreement if:

- authorized by the client to do so;
- authorization is established by law (e.g. the provision of evidence in court or the prevention or sanctioning of money laundering);
- investigations are conducted under the professional body. To this end, Featherston (2002) states that members must not use the principle of confidentiality to shield themselves or their work from a proper investigation by the rightful committees of the professional organization.

As far as plant, machinery and equipment valuation is concerned, we believe there is a risk of breaking confidentiality with unique or relatively unique goods for a valuer who has completed a similar job to the one a fellow valuer may have to complete may transmit information and thus violate the confidentiality policy even involuntarily. Therefore, we highly recommend that all valuers eager to assist a fellow valuer with the completion of any valuation work be very cautious with regard to the information they put at their disposal to avoid violations of the confidentiality regulations.

5. PROFESSIONAL COMPETENCE

According to ANEVAR’s Code of Ethics, the principle of professional competence involves the following duties on the authorized valuer’s part:

- the valuer must maintain an appropriate level of knowledge and skill in order to be able to provide a set of competent professional services for the employer or clients;
- the valuer must provide professional services compliant with the professional valuation standards applicable to the members of the Association.

At the same time, professional competence involves the exercise of judgment in the use of the knowledge and skills with the purpose of providing valuation services and requires that:

- appropriate professional knowledge be acquired;
- the level of professional knowledge be maintained through continuous training programs.

According to Closser (2007), historically, AIREA included a competence rule in a Code of Ethics for the first time back in 1952. It stated that it is unethical for any member to accept an appraisal assignment without having had previous experience and/or general knowledge of such character as to qualify them to accept such an assignment unless either: a. in the making of the appraisal, they have associated with them an appraiser who has had experience in the valuation of the type of property under appraisal, or b. the facts are fully disclosed to the client.. Furthermore, in the 1960s, one new rule made it unethical for an appraiser to render an improperly and inadequately developed opinion of value. However, discussions regarding the quality of the valuation work appeared in the specialized literature a few years before. An example of this can be seen in an article in “The Appraisal Journal” written by George Coffin Jr., MAI, in 1936, entitled “The High Cost of Low Cost Appraising” (as cited in Closser, 2007), where the author bemoans the poor state of the appraisal profession, referring to those practitioners who produce poor-quality work for low fees in particular.

According to Ababei (2014c), the principles of professional competence and independence are tightly connected as a client who is convinced of a valuer’s professionalism will recommend them further and contact them again should they require valuation services again, regardless of whether the estimated value is the desired one or not. The principle of professional competence is also tightly connected to the legal regulations and valuations standards applicable in the field as per ANEVAR’s Code of Ethics. Thus, the authorized valuer will comply with the professional valuation standards applicable to the members of the Association. Also, the instances where these standards are not applicable to the valuation work to be undertaken due to incident normative acts or other requirements of relevance to the valuation work will be clarified with the client and recipient and will be explained in the report.

Featherston (2002) considers that valuers can only achieve performance levels in terms of professional competence by fully applying their skill, care and diligence at all times, regardless of the size or importance of the valuation work.

The importance of professional competence as an ethical principle is explained by numerous studies on competence related aspects. Thus, a study conducted by Galiniene et al (2005) in Lithuania revealed that 63.3% of subjects agreed on the fact that the professional competence levels of Romanian valuers are lower than those of EU valuers, yet sufficient to allow them to operate on the national market. As for their professional diligence, the study revealed an average appreciation level of 6.3 points on a 10-point scale. Another study conducted by Ayuthaya & Swierczek (2014) confirmed the hypothesis according to which better qualifications increase investor confidence significantly. In October 2014, we conducted a study to establish the level of experience of Romanian authorized valuers and concluded that most of the subjects were certified as valuers after 2003 (a maximum level of experience of 11 years), as plant, machinery and equipment valuers after 2004 (a maximum level of experience of 10 years) and completed their first plant, machinery and equipment valuation job after 2004 (a

maximum level of experience of 10 years). Also, most of the subjects have completed less than 51 plant, machinery and equipment valuation jobs over the last 3 years.

The aspect of professional competence must also be assessed from the client's point of view. King (2013) establishes and elaborates a series of questions a potential client usually poses or should pose to a valuer. These include the following:

“Do you have experience doing X?”, starting from the idea that potential clients often assume that their valuation assignment is unique and thus it requires equally unique and specific levels of experience and expertise in the field of valuation. This question should be rephrased as “How vast is your (company's) experience in all types of valuation?” because the more vast a valuation expert's experience in performing every type of valuation, across all industries, the better they will be able to respond to any client's specific needs.

“What are your references?”, “What is your main industry?”, “For whom have you done this type of work before?”, starting from the idea that the client should ask for references, but should pay attention to both the extremely favorable and the unfavorable ones.

“Why should we work with you?” – this is a trick question with only one acceptable answer according to the ethical rules: “Here is who we are and here are our qualifications and experience.”

Craig (2004) identified and synthesized the expectations a client should have from a valuer while also analyzing them from the client's point of view. Thus, they should:

- expect the valuer to ask what the valuation work will be used for (now and potentially in the future);
- expect the valuer to guide them in choosing the right valuation scenario;
- expect the valuer to consider equipment quantity, removal and geography;
- expect the valuer to guide them through key scoping considerations.

Considering the complex nature of this principle, it is not at all surprising that most valuation errors as identified by Hood Jr. & Lee (2013) are related to the principle of professional competence. They include the lack of explanations needed for replication purposes, failure to find information, insufficient explanations of assumptions, failure to explain weightings, failure to justify capitalization or discount rates, incorrect definitions, reliance on an irrelevant study and undue reliance on the work of other valuers.

In practice, valuers can often be faced with various threats as regards their professional competence. Miles Jr. (2005) provides an example of such an instance where an accountant asks a valuer for an opinion on what the equipment in a given company is worth, based on a number of assumptions provided by the accountant. Now, the valuer is faced with a dilemma. Refusal to cooperate could affect the prospects of doing business with the company again. On the other hand, if the valuer does give an ad hoc opinion, they put themselves in the same liability position as if they had done a formal study, including inspections.

As in the case of the confidentiality principle, ANEVAR's Code of Ethics establishes that the authorized valuer must take reasonable precautions to ensure that all those conducting any type of valuation work under their command act in compliance with the professional valuation standards applicable to the members of the Association. The same Code stipulates that the authorized valuer will only provide those valuation services they have competences and qualifications in as featured in the Panel of

authorized valuers and which they have acquired through specialized professional training.

As regards plant, machinery and equipment valuation, threats regarding the professional competence of valuers result from their lack of experience, which is due to the very limited availability of both valuation jobs in the field and specialized literature put together by experts in the field. Another negative factor lies in the fact that it is in the field of plant, machinery and equipment valuation that most unique assets can be found. These assets are more difficult to value because of the lack of comparables with market approaches, the difficulties in establishing the losses in value with cost approaches, as well as the difficulties in establishing the income levels with income approaches.

6. PROFESSIONAL CONDUCT

According to ANEVAR's Code of Ethics, the principle of professional conduct binds all authorized valuers to comply with the specific legislation in vigor and the professional valuation standards applicable to all members of the Association. Also, they must act in an honest and truthful manner and present the process and conclusions of their valuation work objectively and unequivocally, regardless of the client's desires or instructions.

According to Closser (2007), historically, aspects related to the principle of professional conduct also feature in the very first Code of Ethics, which was published by AIREA in 1933. These even include aspects related to the advertising process: "the only advertising permitted was a "business-card" type ad with limited content or a listing in a directory that could display the professional designation". Referring to advertising, Featherston (2002) points out the fact that it must be done so as to avoid unrealistic expectations from the public based on extravagant claims or self-laudatory statements as well as any kind of damage to the competition through unrestrained bidding or fee splitting. Evidently, ANEVAR's Code of Ethics also states that authorized valuers will not make any compromising statements regarding other authorized valuers or their work, thus prohibiting any type of comparisons being made between valuers through advertisements or any other types of communication. Thus, we consider that advertisements created by valuers should not contain phrases like "We provide the best-quality services in field X", "We are the only valuers that ...", "No other valuer can ...", "We charge the lowest fees on the market" and the like.

Another side of this principle addresses the relationship between valuers and the valuation profession in general, as well as that between valuers and ANEVAR as an association that represents the authorized valuers in Romania. Thus, ANEVAR's Code of Ethics stipulates that authorized valuers will avoid any type of conduct or action that might disparage the profession, the Association and its members or that would be in the detriment of the public interest. Moreover, authorized valuers will not present their qualifications and professional experience in any distorted way and will not deceive the Association expressly or by omission in order to become eligible for a certain position or a specific category of members." Featherston (2002) also emphasizes the fact that the valuer must have a special responsibility towards their professional organization they are part of in order for the professional organization to be able to fulfill its own responsibilities.

As far as professional conduct is concerned, from a practical point of view, the study conducted by Ayuthaya & Swierczek (2014) confirmed the hypothesis according

to which appropriate conduct on the valuer's part increases investor confidence significantly, which emphasizes the importance that the provisions of this principles be complied with once more. In addition to this, we believe that compliance with this principle also means compliance with all the other principles because we cannot talk about appropriate professional conduct unless the requirements of the other principles are met as well.

On the other hand, we must mention the fact that although it could be interpreted as such, according to Featherston (2002), personal conduct does not seek to control the social or personal details of the valuer's life, but it does require a standard of personal, business and professional conduct that is consistent with the public trust invested in them.

As regards plant, machinery and equipment valuation in Romania, the lack of jobs in the field could be one of the factors that might determine some valuers to violate the professional conduct policy, particularly by setting up inappropriate advertising campaigns or lowering the fees in an unjustified manner. Moreover, this situation might cause some valuers, who might believe that it is ANEVAR's duty to provide work in the field of plant, machinery and equipment valuation, to act in ways that might disparage ANEVAR, which is certainly not desired.

7. CONCLUSIONS

Upon analyzing the ethical requirements of the field of plant, machinery and equipment valuation, we can conclude that these are very well defined and outlined and leave no room for interpretation. Also, the various specialized documentation written by theoreticians and practitioners in this field or beneficiaries of various valuation jobs, which has been quoted throughout the present article, indicates the fact that the ethical principles applicable in the field of valuation constitute a theme of great importance to it, not necessarily through the interpretation of the requirements of the Codes of Ethics issued by the various valuation bodies, but through the necessity of constantly reminding valuers how important it is that they be complied with. This article too tries to fall in line, its main purpose being to detect any potential threats to certain ethical principles Romanian plant, machinery and equipment valuers can encounter. At the same time, we can conclude, based solely on the information provided in the specialized literature and without conducting an actual study, that the threats that Romanian valuers are confronted with are similar to those encountered by plant, machinery and equipment valuers all around the world.

It is also important to point out the fact that the national and international studies the conclusions of which have been presented throughout this paper have revealed the fact that practicing valuers are familiar with and, even more so, abide by the ethical requirements of this field. This fact has been emphasized by the insignificant percentages associated with any potential violations of the ethical principles and proves that the pursuits of professionals in this field and the articles published by various authors have met their purpose.

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