

An Evaluation of Valuers' Approach to Depreciation in Plant and Machinery Valuation in Lagos State, Nigeria

*Akinwande, T. O. and Umeh, O. L.

Department of Estate Management, University of Lagos, Nigeria

*Correspondence email: timothyakinwande@gmail.com

Abstract

This study investigated the current approach to depreciation in plant and machinery (P&M) valuation in Lagos state. Primary data were sourced through structured questionnaires administered on 50 selected estate valuation firms in Lagos metropolis to investigate their understanding and application of depreciation techniques to plant and machinery valuation based on their current practices. Forty-three of these questionnaires were retrieved and were analyzed using descriptive statistics. This research found that many practitioners do not have sufficient understanding and applications of different depreciation techniques. This is one of the major causes of the apparent inconsistencies, undervaluation and overvaluation. While acknowledging remedial steps that are already in place, the study recommended other measures that will improve practitioners' approach to depreciation and will in turn enhance the local plant and machinery valuation practice. These include regulatory bodies promoting local capacity building through formal and informal education, continuous professional development etc., introducing valuation practical notes/guidelines, more researches targeted at P&M valuation and finally, Valuers are encouraged to be willing to embrace necessary changes in practice.

Keywords: Depreciation Techniques, Lagos State, Plant and Machinery Valuation

INTRODUCTION

In real estate parlance, plant is defined as assets that are inextricably combined with others and that may include specialized structures, machinery and equipment (IVSC, 2010). Several scholars have defined plant and machinery in slightly different ways. From these definitions, clearly plant and machinery are used in carrying out physical tasks faster, easier and in a more suitable manner.

Globally, plant and machinery valuation are not a popular engagement compared to land or building valuation; even though the size and value of the plant and machinery can contribute up to 80% of the company's total assets. Nasir and Eves (2013) argued that unlike land and building property valuation, plant and machinery transactions are often scarce and very limited resources exist in terms of information and comparison of data. Unfortunately, this makes various estate firms handle plant and machinery valuation in inconsistent manners, leading to undervaluation and overvaluation of plant and machinery. Many practitioners do not pay keen attention to details peculiar to plant and machinery such as depreciation techniques and various valuation bases.

In simple words, depreciation is the reduction in the value of an asset due to usage, passage of time, wear and tear, technological outdatedness/obsolescence, depletion or other such factors. In valuation, depreciation can be defined as the measure of wearing out by consumption or other reduction in the useful economic life of fixed asset, whether arising from use, time or

obsolescence through technological or other changes (RICS Guide Note - March, 1994). Depreciation can be defined as a loss in value of the plant and machinery due to various causes or factors generally identified as physical deterioration, functional, technology and economical obsolescence; and both of physical deterioration and obsolescence are forms of depreciation.

Handling depreciation arbitrarily in the course of plant and machinery valuation allows for inconsistencies in plant and machinery valuation. Such technical matters should be handled scientifically to enhance accuracy and consistency in valuation practice. This can be a solution to coordination problem. It will enable uniformity in the practice, thereby enhancing transparency and consistency as well as limiting the situation of valuation inaccuracy, overvaluation and undervaluation. Developed economies for instance have learnt bitter lessons from the grave consequences of inconsistent and inaccurate valuation. An example that readily comes to mind include the collapse of finance and property market in the United Kingdom in the 1990s which was traced largely to inaccurate valuation by British Valuers (Baum and Crosby, 1995) as cited in Babawale (2012).

In Nigeria today, plant and machinery valuation is still in its infancy and most researches have been centred on land and buildings to a significant neglect of plant and machinery. Research in this area should be taken seriously considering the professionalism required in handling the task (Iroham, Oluwatobi and Oloke, 2015). Otegbulu *et al.* (2011) stated that although valuation of plant and machinery has existed within the general appraisal practice since about the sixteenth century, it has not received appropriate attention in appraisal as real estate in spite of its pervasive influence on the economy and the standard of living of people. These suggest a paucity of studies on plant and machinery valuation in Nigeria. Currently, there has been, but a few studies conducted in Nigeria to examine the plant and machinery valuation implementation.

This study investigates the approach of valuers to depreciation in plant and machinery valuation in Lagos and highlights established plant and machinery valuation depreciation techniques. This is in order to investigate practice in Lagos along with generally accepted methods of depreciation and the applications, encouraging an adoption of these methods in order to improve the practice of plant and machinery valuation amongst practitioners in Lagos.

Depreciation and Obsolescence Concept

Depreciation is the reduction in the value of an asset due to usage, passage of time, wear and tear, technological outdateding or obsolescence, depletion or other such factors.

Basically the terminology for depreciation can be observed in two difference contexts which are the Valuation and Accounting terms. In the accounting term, depreciation is the measure of the wearing out or consumption or other reduction in the useful economic life of a fixed asset whether arising from the use, time or obsolescence through technological or market change (Blake, 1997) as cited in Sahray (2009).

Meanwhile for the valuation term, depreciation can be defined as the measure of wearing out by consumption or other reduction in the useful economic life of fixed asset, whether arising from use, time or obsolescence through technological or other changes (RICS Guide Note march, 1994).

Nevertheless based on the Webster's New international Dictionary (unabridged 1961) and Budhbhatti (1999), obsolescence is defined as "A factor included in depreciation to cover decline in value of assets due to invention of new and better process or machines, change in

demand, in design or in the art, and other technical or legal changes, but not to cover the physical deterioration”. In addition, Grant (1989) as cited in Sahray (2009) defined depreciation term in the valuation as “the different in value between an existing old property and a hypothetical new property taken as a standard of comparison”.

From the definitions given, it will be seen that obsolescence and physical deterioration are factors contributing to depreciation. However as stated by Budhbhatti (1999), depreciation is a universal phenomenon, it is an attribute of all physical objects that they are subject to wear and tear, whether in use or not in use, on the other hand obsolescence is stimulated by exogenous factors, be it technological, functional or economic.

The valuer has to consider both of these as separate phenomena and must assess value of asset by separately considering physical deterioration and obsolescence, if any. This is necessary because deterioration is due to actual wear and tear of the plant and machinery under consideration whereas obsolescence is due to technological, functional, and economic factors which are internal as well as external to the plant and machinery under consideration (Budhbhatti, 1999).

In summary, the depreciation can be defined as a loss in value of the plant and machinery due to various causes or factors generally identified as physical deterioration, functional, technology and economical obsolescence; and both of physical deterioration and obsolescence are forms of depreciation. Therefore as noted by Budhbhatti (1999), Alico (1989) and ASA (2000) there are four types of depreciation which are;

Physical Deterioration

Physical deterioration is triggered by a few factors that affect the physical condition of the plant and machinery, as noted by ASA (2000) physical deterioration is the loss in value or usefulness of the property due to the using up or expiration of its useful life caused by wear and tear, deterioration exposure to various elements, physical stress, and similar factors.

Betts and Ely (2001) as cited in Sahray (2009) noted that physical deterioration also can be divided into three categories. Betts and Ely further explained that the physical deterioration basically includes curable physical deterioration, incurable physical deterioration and long-lived curable physical deterioration.

Curable physical deterioration refers to the conditions that are economically viable to correct. The cost to cure the physical deterioration such as paint defect on the property would improve a little bit of the value. The corrective cost of repainting is considered economically feasible to conduct. Incurable Physical deterioration on the contrary refers to the physical deterioration that would cost more to repair than giving an additional value to the subject plant, machinery and equipment. Such deterioration is not feasible to conduct as it is not economical. The cost to repair will definitely exceed the value that it would bring if it's repaired. Long-lived curable physical deterioration is the value losses attributable due to the major component of a plant, machinery or equipment when age is the major contributing factor.

Nevertheless, according to ASA (2000), the physical deterioration of plant and machinery can be measured by using the observation method, formula/ratio method. By using the observation method valuer make a comparison based on his experience, whereby he looks at the similar property, comparing with the new machine. Meanwhile the Formula/Ratio method can be: Used/Total use and $\text{Effective age/Economic life span}$.

Functional Obsolescence

The functional obsolescence has to do with the difference in production rates and other capability characteristic between a new machine and the machine being evaluated (Alico, 1989). Functional obsolescence is also known as decrease in value due to non-availability of spares or accessories or any other allied factors (Budhbhatti, 1999). Nevertheless, the main cause of functional obsolescence is when a machine has lost the ability to be utilized at highest and best use, this happens due to faulty design or wrong location of industrial undertaking. The ability of a property to be utilized at its highest and best use would have some relationship to value. Any utilization less than highest and best use would be a contributory factor to depreciation because this represents a loss from the upper limit of value. This limitation in use could be described as functional obsolescence (Alico, 1989).

In addition, to determine the functional obsolescence of plant and machinery, valuer must be able to use the Excess capital cost method. This method assumes that the cost to replace is less compared to the cost of reproducing the machine, and this method measures the difference between the reproduction cost and replacement cost. The excess capital cost represents the decrease of the cost of investment required to acquire the new machine to perform the same service.

Technology Obsolescence

Technology obsolescence is due to the difference between the design and materials of new technology of plant and machinery compared with the plant and machinery being valued. Latest sophisticated equipment with reduced occupancy, improved efficiency or optimum energy consumption is common in plant and machinery. Technological obsolescence may arise out of development of new technology which brings in change in rate of production or reduction of operating cost (Budhbhatti, 1999). Since in present high technology environment, the valuer should be familiar with such situation, and it is essential to have enough exposure and experience with the new technology before valuing any plant or machinery.

Economic Obsolescence

Economic obsolescence, sometimes called as an external obsolescence. Economic obsolescence is due to external factors to the machine itself, this could be due to the economic force, such as changes in the optimum use, legislative enactments which restrict or impair property right, and change in demand of product manufacture or shrinkage in supply of raw materials. The difficulty in measuring the full effects of economic obsolescence is one of the weaknesses of the cost approach, because economic obsolescence is usually a function of outside influence that affect entire business (tangible and intangible asset) rather than individual asset or an isolated group of assets (ASA, 2000).

Factors need to be Considered When Quantifying the Depreciation

There are a few factors that should be adhered to by the valuer in order to arrive at the condition of the equipment (Budhbhatti, 1999). These are:

Environment

As noted by Budhbhatti (1999) there are two major questions the valuer needs to answer to determine the environment of the plant, machine or equipment, and the questions are; what is the state of surrounding area housing the equipment? Is it sufficient to protect the equipment? For instance, the plant, machinery or equipment that is located near salt water or corrosive atmosphere suffers higher depreciation rate compared to other locations.

Usage

The usage of the machine or equipment also contributes to physical deterioration, as plant and machinery valuer, they need to get the information about how the equipment or machine has been used; either the equipment or machine is used strictly for recommended capacity or otherwise.

Maintenance

Another factor that needs to be considered when determining the condition of the machinery or equipment is maintenance history, during the inspection of plant, machinery or equipment the valuer needs to identify the type of maintenance, either preventive maintenance or routine breakdown maintenance. Besides, it is also important to identify the cost of maintenance. Nevertheless, there are other factors that must be considered when determining the depreciation for plant and machinery. Eliza (1997) as cited in Sahray (2009) stated that the method of reckoning depreciation in plant and machinery has to be determined by the valuer with due regard to the parameters indicated below;

- (i) Age estimated economic balance life
- (ii) Present capital value to be recouped in installment during the remaining life of the asset and not lump sum amount at the end of life;
- (iii) Value of plant and machinery to decline slowly in the beginning and faster during mid-life and maximum at the end;
- (iv) Rate recovery at an increasing rate for a period in the beginning and decreasing rate subsequently;
- (v) History of repair and maintenance;
- (vi) Rate of yield declining during the remaining life;
- (vii) Factor for consideration of willing buyer and willing seller;
- (viii) Numbers of working hours per shift per day;
- (ix) Wear and tear vis-à-vis maintenance;
- (x) Effect of surrounding weather conditions and environment;
- (xi) Anticipated scrap value;
- (xii) Status of machine, either idle or in operation;
- (xiii) Manufacturing country;
- (xiv) Capacity of machine and etc.

Methods of Quantifying Depreciation / Obsolescence

Depreciation is actually a subjective matter in the first place. Due to the complicated nature and complexity involved as depreciation is either qualitative or quantitative, valuer's or appraiser have ultimately come up with a few methods on how to capture the depreciation in the form of quantitative measures that can be used as a depreciation value in the cost approach. These methods have made an imperative contribution to the cost approach valuation process by reducing the complexity in determination of depreciation and provide several options to make it more accurate and thus more reliable.

Analysis and references on related literature has established that there are several methods that can be used to quantify the depreciation rate on property. Darry (1985) and Budhbhatti (1999) noted that there are two methods of depreciation available to valuers: reducing balance depreciation and straight line depreciation. Meanwhile, Alico (1989) emphasized that in determining depreciation, there are various methods and procedure, and these may divided into two groups. The first group considered a non-interest procedure for estimating depreciation of single unit property. These groups include straight line method, declining balance method, and

sum-of-the-years' digits depreciation method. Then the second group consists of procedures which are based on interest theories. These include the sinking-fund depreciation method and the present worth theory. Nevertheless, ASA (2000) outlined four methods to measure depreciation. The methods are; straight line method, unit of activity, declining balance method, and sum-of-the-years' digits depreciation methods.

Regardless of their diverged views and opinions towards this matter, the methods to quantify the depreciation can be categorized into four. These four methods are the straight line method, declining balance method, sum-of-the-years' digits depreciation method and unit of activity method.

Apart from that, each author has given their own theory and principles on how to apply these methods. Even though, the method of presentation is different from one another, the principles and theory regarding these four methods are still in the right lane and the gap of methodology is not substantial.

Straight Line Method

Straight line method is the simplest and most often used technique to quantify the depreciation rate. This method is based on the theory that all machinery and equipment have total useful life that can be predicted. This predicted useful life is called the economic life of the machine or equipment (Budhbhatti, 1999).

The straight line method entails the determination of the physical or useful age and the economic age of the machine or equipment. In this method, the value loss due to the age is assumed to be directly proportional to the age life or useful life of the machine or equipment (Alico, 1989).

Therefore the straight line method is calculated by taking the purchase or acquisition price of an asset subtracted by the salvage value divided by the total productive years (economic life) the asset can be reasonably expected to benefit the company.

As noted by the ASA (2000) straight line depreciation calculations are a constant amount for each period. It is the depreciable cost divided by the asset's useful life. The formula that gives the amount of depreciation to be taken each year is $D = C/n$; where "D" equal to the annual depreciation amount, "C" equal to the depreciable cost (not including salvage value), and "n" equal to the depreciable life in year. By using the Declining Balance depreciation method the annual depreciation is 21.32% and if the estimated economic life of the asset is 10 year, the salvage value of the machine would be N1, 000. Besides using the table to quantify the net book value of the asset, there is another alternative technique. This technique is known as direct method of Declining Balance depreciation.

$$NBV = C (1 - i)^n$$

NBV = Net Book Value

i = Depreciation Rate

n = Age of machine

Example;

$$NBV = RM 11,000 (1 - 21.32\%)^5$$

$$NBV = RM 11,000 * 0.7868^5$$

$$NBV = RM 11,000 * 0.3015$$

$$NBV = N 3,317$$

Declining Balance Depreciation Method

This method is slightly more complicated than the straight-line method. The Declining/Reducing balance depreciation method is a procedure for depreciating an asset by use of a fixed percentage applied to the successive balance remaining after previously computed amounts of depreciation have been deducted (Alico, 1989). In other words, this method provide for a higher depreciation charge in the first year of an asset's life and gradually decreasing charges in subsequent years.

Based on this method, Khan *et al.* (2002) explained that annual depreciation is calculated based on the fixed rate from the net book value of the asset at the beginning year. In this method, the depreciation rate remains constant while the book value to which the rate is applied is declining each year, and under this method the salvage value is not considered until the cost is fully depreciated. Nevertheless due to the concept of depreciation being higher in the early year this method considered as accelerated depreciation method.

Nevertheless, to calculate the depreciation by using the declining balance depreciation method, Firstly, valuer need to work out the depreciation rate using the formula as illustrated below:

$$D = 1 - \sqrt[n]{S/C}, \text{ where;} \\ D = \text{Depreciation} \\ S = \text{Salvage Value} \\ N = \text{Economic Life} \\ C = \text{Cost of Machine}$$

Sum of the Year Digit Method

The sum of the year digit method is also known as accelerated depreciation method. In this method, a declining fraction is applied to the depreciation cost. The fraction's numerator is equal to the remaining service at the beginning of each year, and its denominator is equal to the sum of the total years over the estimated useful life (ASA, 2000).

Nevertheless, Khan *et al.* (2000) noted that this method is similar to declining balance depreciation method, whereby the results is higher depreciation rate in early year of an asset's life and gradually decreasing charges in subsequent years. He also noted that in this method the depreciation rate is based on the sum of the year digit or residual economic life.

To quantify the depreciation rate for this method, firstly we need to identify the sum of the year digit. For instance, by using the previous example, an asset with the cost approximately N 11,000. Ten (10) year of economic life and expected salvage value of RM 1,000, and the sum of the year digit for this asset is $1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 = 55$.

$$SYD = N(N + 1) / 2 \\ SYD = \text{Sum of the Year Digit} \\ N = \text{Estimated Economic Life of Machine}$$

With the previous example;

$$SYD = 10(10 + 1) / 2 \\ SYD = 110 / 2$$

Unit of Activity Method

Unit of activity is similar to straight line; however the depreciation calculation is based on the hour used or some other production unit and may vary from the current accounting period to the next period (ASA, 2000).

Apart from that, to quantify the depreciation rate by this method, valuer needs to identify the annual production unit, the total life time production unit and economic life of the machine or equipment, therefore the depreciation of every unit production and annual depreciation of machine can be calculated by using the formula:

$$U_r = C - S / TPU$$

U_r = Usage rate for every unit

C = Cost of machine

S = Salvage value

TPU = Total life time production unit

Therefore,

$$AD = U_r * AP$$

AD = Annual depreciation

AP = Annual unit of production

Study Area

The increased relative economic influence of Lagos being the centre of excellence, and the bedrock of commerce in Nigeria is responsible for its continuous vast expansion since 1898 when railway construction was first completed in the state (Mabogunje, 1968). This has created greater opportunities especially for residential and commercial property developments. As a result of the transportation enhancement a large number of industries, head offices of companies, and companies generally are situated in Lagos. Lagos has the most robust property market in Nigeria; this fact attracts many estate valuation and management firms to the metropolitan city. The metropolis has the highest concentration of both the providers and end-users of valuation services. Lagos practice could therefore be regarded as reasonably representative of Nigerian practice.

METHODOLOGY

The population of the study is primarily Estate Surveyors and Valuers are actively involved in plant and machinery valuation in Lagos Metropolis. By virtue of Decree 24 of 1975, Estate Surveyors and Valuers are the only professionals statutorily empowered to undertake valuation of proprietary interests in real estate and related assets in Nigeria.

The sample frame for this study is fifty (50); representing purposively selected number of firms of Estate Surveyors and Valuers, that are actively involved in plant and machinery valuation within the Lagos metropolis. Fourty three (43) of the responses received were duly completed and therefore considered satisfactory for further analysis. This represents a response rate of 86% which is good enough for reliable and valid conclusion. The questionnaire was designed to elicit information on aspects of the valuation methods and procedures. This research employed descriptive statistics to provide simple summary of research findings. The technique of analysis employed in this study is SPSS. The responses from questionnaires were reported in frequency and percentage to reflect the prevailing approach of Lagos valuers to depreciation in plant and machinery valuation.

RESULTS AND DISCUSSION

This section presents the summary statistics of the analyzed variables from questionnaires administered on firms of Estate Surveyors and Valuers that are actively involved in plant and machinery valuation in the study area.

Results

Table 1 summarizes the frequency of plant and machinery valuation briefs handled by the firms. The Table shows that 23.3% of the sampled firms handle eight P&M valuation briefs, 14% handle seven briefs, another 14% handle four briefs, 32.6% handle two briefs while 16.3% handles at least one brief, all within a month. This informs why the study employed the purposive sampling approach.

Table 2 above is a summary of the working experience of the respondent valuers. The Table shows that 7%, 30.2% and 27.90% of respondents have 5 – 10 years, 10 – 15 years and 15 – 20 years of working experiences, respectively. In addition, another 34.9% have over 20 years’ experience. The long years of experience and service make respondents reasonably qualified to provide answers to questionnaire.

Table 1: Frequency of P&M Valuation Briefs per Month

	Frequency	Percentage
Eight	10	23.3
Seven	6	14
Four	6	14
Two	14	32.6
One	7	16.3
Total	43	100

TABLE 2: Respondents’ Working Experience

Years	Frequency	Percentage
5-10	3	7.00
10-15	13	30.20
15-20	12	27.90
20	15	34.90
Total	43	100.0

Table 3 is a summary of practitioners’ choice of depreciation methods. The Table discloses that most respondents (48.8%) adopt straight line method, 11.6% adopt reducing balance method, 4.7% sum of the year’s digit while another 4.7% adopt unit of activity method. Besides, 23.2% of the respondents adopt none of these known depreciation methods at all. Deductions are that depreciation is done arbitrarily.

Table 3: Depreciation Methods often adopted for P&M Valuation by Respondent Valuers

Depreciation methods	Frequency	Percentage
Straight line method	21	48.80
Sum of the year’s digit method	2	4.70
Reducing balance method	5	11.60
Unit of activity method	2	4.70
Formula as provided by firm	0	0
All of the above	2	4.70
None of the above	10	23.20
Others	1	2.30
Total	43	100.00

Table 4 summarizes the responses of valuers to an enquiry on what informs their choices of depreciation method(s). The very high responses are not in compliance with IVS provision that depreciation should be informed by analysis of market-based costs and depreciation, as 41.89% confessed that they only apply the depreciation method(s) they understand and know how to apply correctly, 25.58% disclosed that their choice was based on ease and reliability of the method(s), 16.28% bases their choice on the easy accessibility of information while 9.30% claimed their choice was based on the nature of the P&M valuation. However, 4.65% adopts

depreciation method based on the purpose of P&M valuation. It is evident that the larger percentage of the practitioners approach depreciation in a manner inconsistent with standard precepts, which provides that depreciation should be determined by analysis of market-based costs and depreciation. The next section attempts to draw inferences from the data analysis and elucidate the findings using a format that is constructive and beneficial for policy implementations, followed by recommendations and concluding remarks.

Table 4: Reasons for Valuers' choice of Depreciation Methods

Valuers' reasons	Frequency	Percentage
Ease and reliability of use	11	25.58
Easy accessibility of information	7	16.28
Nature of the P&M valuation	4	9.30
Purpose of P&M valuation	2	4.65
Understanding and application of method	18	41.89
Total	43	100.00

Discussion

The aim of this research is to evaluate Nigerian Valuers' approach to depreciation in plant and machinery valuation. The focus is to draw attention to an existing challenge in the approach to depreciation in plant and machinery valuation.

Our findings revealed that most valuers have a poor knowledge of depreciation methods such as reducing balance, straight line and sum of the year's digit methods etc. Most respondents adopt straight line method of depreciation simply because it is the easiest to apply. This implies that majority of practitioners adopt depreciation in a manner totally inconsistent with approved standards and some Estate Surveyors and Valuers do not consult any standards at all when carrying out plant and machinery valuation. Inappropriate depreciation of plant and machinery is a major cause of the apparent inconsistencies, undervaluation, overvaluation and valuation inaccuracy in plant and machinery valuation in Lagos state.

CONCLUSION

Findings from this research confirm that plant and machinery valuation in Lagos state is still in its infancy, as also found by Iroham *et al.* (2015). Another important finding is that many practitioners do not pay attention to details peculiar to plant and machinery valuation such as depreciation technique(s).

Research finding is corresponds with Rahman and Nasir (2013) as cited in Worku *et al.* (2016) which advocated the need for practical guidance notes and standards for plant and machinery valuation to be developed. These practical guidance notes and standards should include all the key elements for plant and machinery valuation in terms of valuation bases, valuation approaches and methodologies and the standard of reporting. The note or guideline is to educate and provide common knowledge among the valuers conducting plant and machinery valuation. The development of plant and machinery guidance notes and standards is urgently needed in Lagos state and in Nigeria at large. The introduction of plant and machinery valuation practical notes/guidelines will increase the level of valuation accuracy and minimize potential valuation discrepancies.

Recommendations

The urgent need for a change in the approach of Estate Surveyors and Valuers to depreciation in plant and machinery valuation in Lagos state is apparent. In order to propose the required changes that will enhance plant and machinery valuation practice in Lagos state; it is recommended as follows:

The regulatory bodies should promote local capacity building through formal and informal education, continuous professional development; acquisition of industry based software, a central databank, research and effective dissemination of research findings particularly with respect to plant and machinery valuation in Nigeria. Firms of Estate Surveyors and Valuers should be mandated to fund staff training and acquisition of necessary technology among others. This will strengthen practice and overall delivery of quality P&M valuation.

Similarly, publications show that academic community in Nigeria is doing well in the areas of research to advocate rationality, accuracy and consistency in valuation. However, there is an apparent need for more researches on plant and machinery valuation; by so doing the gap between the gown and the town is bridged and practitioners are empowered towards best practices in plant and machinery valuation in Lagos state.

The introduction of plant and machinery valuation practical notes/guidelines in Nigeria will significantly improve transparency, consistency, logicity, and traceability in the practice of plant and machinery valuation in Nigeria; minimizing potential valuation discrepancies.

The steps that are here suggested would yield the desired improvements in practice standards only if individual valuers and valuation firms avail themselves of the benefits and are willing to adopt necessary changes in practice. Practitioners are therefore encouraged to make positive changes in their individual approaches to depreciation in plant and machinery valuation.

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