The **Fair Value** (or Agent's Price) represents a balanced asset valuation typically established by an independent, non-interested third party. The goal is to determine a valuation that is fair to both the buyer and the seller. In textbook board exam problems of this type, when multiple standard valuation models yield distinct results, the recommended fair value is determined by taking the **arithmetic average** of the book values computed via the Straight Line Method and the Sinking Fund Method.

Using the outputs obtained from the previous steps, compute the average fair value:

$$FV = \frac{C_{5,SFM} + C_{5,SLM}}{2} = \frac{₱147{,}217.29 + ₱125{,}000}{2}$$

$$FV = ₱136,108.65$$

This problem highlights a core financial reality that engineers must navigate during project lifecycles: Book value does not equal actual asset market value.

Notice that at Year 5, the Straight Line Method asserts the machine is worth ₱125,000, while the Sinking Fund Method values it at ₱147,217. This gap arises because SLM ignores the time value of money, assuming value drops at a constant rate. SFM recognizes that capital set aside accumulates compound interest over time, resulting in a higher calculated asset retention value during the first half of its lifespan.

If an engineering firm decides to sell this asset prematurely at Year 5, the buyer will argue for the lower SLM valuation, while the seller will demand the higher SFM valuation. Relying on an independent **Fair Value** compromise ₱136,108 resolves these impasses. It bridges the gap between internal accounting guidelines and external market realities, ensuring that the enterprise neither overvalues its asset baseline nor loses money during capital liquidation.