

Business Valuation/Appraisal Standards Comparison Chart

For the past several years, there has been much discussion by regulators and users of valuation services regarding the fragmentation of the industry, transparency, and consistent application of methodologies, and the different valuation standards of the various credentialing and standard setting organizations.

Professional standards promulgated by authoritative bodies are inherently technical and focus on the need for specific guidance to a precise discipline of expertise. Different professional organizations have varying and distinctive needs for technical guidance. Consequently, they develop specific standards commensurate with their requirements.

As a result, professional standards promulgated by different business appraisal organizations will necessarily contain different rules. Similar standards often contain subtle differences; it is, therefore, difficult to precisely compare specific standards among professional organizations.

The intent of the NACVA Business Valuation/Appraisal Standards Comparison Chart ("Chart") is to provide a general reference tool for the valuation analyst involved in business appraisals; it is not intended to suggest precision in the classification of professional standards.

The following Chart provides a comparison of the respective business valuation standards promulgated by the National Association of Certified Valuators and Analysts ("NACVA"), to the Uniform Standards of Professional Appraisal Practice ("USPAP"), to the American Society of Appraisers ("ASA"), and to the American Institute of Certified Public Accountants—Statement on Standards for Valuation Services ("AICPA – SSVS"). Each set of standards is formatted differently and, to a certain extent, generally has more in common with one another than there are differences. Further, any supplemental information from these standards is generally provided verbatim from the applicable document.

This document can be used as a starting point toward a harmonization of industry wide and accepted standards by the respective organizations.

It is important for the reader to review carefully the general references of each of the valuation standards that are identified by each general category of the NACVA Professional Standards, because any differences that may be noted in some cases, can be interpreted to be covered or implied in other specific sections under these general valuation standards' references.

The Chart identifies references to information provided in the various professional organizations' standards, guidance, or other treatises, and is not a substitute for an individual practitioner's thorough review, interpretation, and application of the respective documents.

I. Introduction

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100 [F12]	
			Calculation	Valuation
These principles-based Standards have been developed to provide guidance to members and other valuation professionals performing valuation services. The use of professional judgment is an essential component of estimating value.				
A. Preamble Members of the National Association of Certified Valuators and Analysts (NACVA) shall comply with the standards and definitions herein. NACVA will adopt changes to and interpretations of the Standards when necessary.				

II. General and Ethical Standards

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
A member shall perform professional services in compliance with the following principles:				
A. Integrity and Objectivity A member shall remain objective, maintain professional integrity, shall not knowingly misrepresent facts, or subrogate judgment to others. The member must not act in a manner that is misleading or fraudulent.	Ethics Rule (174–183)	Principles of Appraisal Practice and Code of Ethics ("PAPCE") Par 2.2, 4.3, 7.5, and 8.1 [F8]	Secs. .03/.14	Secs. .03/.14
B. Professional Competence A member shall only accept engagements the member can reasonably expect to complete with a high degree of professional competence. If a member lacks the knowledge and/or experience to complete such engagements with a high degree of professional competence, the member is not precluded from performing such engagements. In such instance, the member must take steps necessary to gain expertise through additional research and/or consultation with other professionals believed to have knowledge and/or experience prior to completion of such engagements.	Competency Rule (298–341)	Par 3.4 and 4.2	Secs. .03/.11/.12	Secs. .03/.11/.12

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
C. Due Professional Care A member must exercise due professional care in the performance of services, including completing sufficient research and obtaining adequate documentation.	Ethics Rule (174–183) Scope of Work Rule (342–412) Standards Rule (“SR”) 9-1 (c)	Par 3.3, 4.2, and 6.8	Sec. .03	Sec. .03
D. Understandings and Communications with Clients A member shall establish with the client a written or oral understanding of the nature, scope, and limitations of services to be performed and the responsibilities of the parties. If circumstances encountered during the engagement require a significant change in these understandings, the member shall notify the client. A member shall inform the client of conflicts of interest, significant reservations concerning the scope or benefits of the engagement, and significant engagement findings or events.	The appraiser is responsible for determining the appropriate Scope of Work Rule and disclosing it in the report (402–412) Conflicts of Interest must be disclosed as per Ethics Rule (174–183)	Par 4.5, 4.6, and 6.5 Does not address communication of significant reservations or findings	Secs. .03/.13/.16/.17	Secs. .03/.13/.16/.17
E. Planning and Supervision A member shall adequately plan and supervise the performance of services.	Planning is indirectly addressed in Scope of Work Rule (342–412)		Sec. .03	Sec. .03
F. Sufficient Relevant Data A member shall obtain sufficient relevant data to afford a reasonable basis for conclusions, recommendations, or positions.	Scope of Work Rule (342–412)	Par 4.4 ASA Business Valuation Standards (“BVS”) BVS-I, Sections III and V	Secs. .03/.19/.30	Secs. .03/.19/.30
G. Confidentiality Unless required to do so by competent legal authority, a member shall not disclose any confidential client information to a third party without first obtaining the express consent of the client.	Ethics Rule/Confidentiality (177–186)/(242–264)	Par 4.1	Sec. .03	Sec. .03
H. Acts Discreditable A member shall not commit any act discreditable to the profession.	Ethics Rule (174–183) Conduct (184–219) Management (220–241)	Par 7 and Par 9	Sec. .03	Sec. .03
I. Client Interest A member shall serve the client interest by seeking to accomplish the objectives established with the client, while maintaining integrity and objectivity.	Not addressed directly— Client objectives addressed in Scope of Work Rule	Par 4	Secs. .03/.14	Secs. .03/.14
J. Documentation Quantity, type, and content of documentation are matters of the member’s professional judgment. Members should retain documentation for a sufficient time period to comply with legal, regulatory, and professional requirements. NACVA recommends a minimum of five years.	Record Keeping Rule (265–297)	BVS-1, Sections III and V	Secs. .44/.45/.46	Secs. .44/.45
K. Financial Interest A member shall not express a Conclusion of Value or a Calculated Value unless the member and the member’s firm state either of the following:	SR 10-3 Ethics Rule (174–183) Conduct (184–219) Management (220–241)	Par 7.3	Sec. .03	Sec. .03
1. “I (We) have no financial interest or contemplated financial interest in the subject of this report.”; or				
2. “I (We) have a (specify) financial interest or contemplated financial interest in the subject of this report.”				

III. Scope of Services

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
A. Applicability These Standards are applicable when valuing a <i>business, business ownership interest, security, or intangible asset</i> . The General and Ethical standards apply to all professional services performed by members.	Preamble (1–57)	BVS General Preamble [F9] BVS-I, Preamble BVS-I, Sections II A and B	Intro and Scope Secs./Sec. .01	Intro and Scope Secs./Sec. .01
B. Valuation Services A member may express either a Conclusion of Value or a Calculated Value. When performing such Valuation Services, members shall comply with these Development and Reporting Standards. Valuation Services are:	Standards 9 and 10, and look at Advisory Opinion (“AO”) 21 There are two levels of service for Appraisal Practice, which is a subset of Valuation Services: Appraisal and Appraisal Review	BVS-I, Section II C Refers to three categories: Appraisal, Limited Appraisal, and Calculation [F10]	Intro and Scope Secs./Secs. .02/.04/.21b	Intro and Scope Secs./Secs. .02/.04/.21a
1. Valuation Engagement A Valuation Engagement requires that a member apply valuation approaches or methods deemed in the member’s professional judgment to be appropriate under the circumstances and results in a Conclusion of Value; or	SR 9-1	BVS-I, Section II C 1		Secs. .21a/.23/.24/.26
2. Calculation Engagement A Calculation Engagement occurs when the client and member agree to specific valuation approaches, methods, and the extent of selected procedures and results in a Calculated Value.	SR 9 (See Scope of Work Rule)/[F4] and [F6].	BVS-I, Section II C 3	Sec. .21 b [F11]	
C. Other Services Any service provided by a member of the NACVA should be done so in an ethical and competent manner that does not negatively impact the valuation profession in general or the NACVA in particular.	Ethics Rule/Competency Rule/AO-21	PAPCE Par 2.1, 3.4, and 4.2	Ethics Rules/Secs. .05–.09	Ethics Rules/Secs. .05–.09
D. Jurisdictional Exception These Standards may differ from published governmental, judicial, accounting, or other authority that specifies valuation development or reporting procedures. In that event, the member should follow the applicable published authority or stated procedures. The other parts of these Standards shall continue in full force and effect.	Jurisdictional Exception Rule (413–429)	Refer to USPAP Jurisdictional Exception Rule (413–429)	Secs. .01/.03/.10	Secs. .01/.03/.10

IV. Development Standards

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
A. General A member shall comply with these Development Standards when expressing a Conclusion of Value or a Calculated Value.	SR 9	BVS-I	Sec. .21 [F11]	Sec. .21
B. Expression of Value Value can be expressed as a single number or a range. A valuation analyst must avoid bias in the development of a Conclusion of Value or a Calculated Value.	No Specifications re Expression of Value (See Definition of Appraisal) Bias is Discussed within Ethics Rule	BVS-I, Section II C 1, c (1) BVS-I, Section II C 2 and 3, b (1) PAPCE Par 2.2	Secs. .21/.42	Secs. .21/.42
C. Reliability of Data A member may rely upon information provided by any source without corroboration if disclosed in the report.	Scope of Work Rule SR 10-2(viii)	BVS-VI, Section III C 4 BVS-VIII, Section III B PAPCE Par 6.3 and 6.9	Sec. .18	Sec. .18

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
D. Scope Limitations A member must consider scope limitations which affect the level of reliance on the information.	Scope of Work Rule SR 9-2(h)	PAPCE Par 6.5	Sec. .19 (.76b)	Sec. .19 (.52m/.68e/.71n)
E. Use of Specialist If the work of a third party specialist, such as a real estate or equipment appraiser, was relied upon in the engagement, a description of the reliance (if any) and any level of member's responsibility should be documented.	SR 10-2(a)(x)/SR 10-3	PAPCE Par 6.9	Sec. .20	Sec. .20
F. Approaches and Methods Valuation methods are commonly categorized into the asset-based, market, income, or a combination of these approaches. Professional judgment is used to select the approaches and the methods that best indicate the value. Rules of thumb are acceptable as reasonableness checks, but should not be used as a stand-alone method.	SR 9-1(a)	BVS-III, IV, and V BVS-I, Section IV A BVS-V, Section V BVS-VI, Section III Statements on ASA Business Valuation Standards ("SBVS") SBVS-1/SBVS-2	Secs. .31-.41 (to be agreed with client) [F11]	Secs. .31-.41
G. Identification A member must define the assignment and determine the scope of work necessary by identifying the following:	SR 9-2 (paragraph numbers below relate to this section, unless otherwise indicated):	BVS-I, Section II B (paragraph numbers below relate to this section, unless otherwise indicated):	Sec. .46	Sec. .25
1. Subject to be valued;	Par (e)(i)	4	Sec. .46a	Sec. .25
2. Interest to be valued;	Par (e)(ii)	8	Sec. .46b	Sec. .25
3. Valuation date;	Par (d)	12	Sec. .46f	Sec. .25
4. Purpose and use of the valuation;	Par (b)	2	Sec. .46d	Sec. .25
5. Standard of value;	Par (c)	9	Sec. .46h	Sec. .25
6. Premise of value;	Par (c)	10	Sec. .46g	Sec. .25
7. Intended users;	Par (a)	1	Sec. .46e	Sec. .25
8. Valuation approaches or methods;	SR 9-4(a)	BVS I, Section IV A	Sec. .46j	Secs. .21a/.23/.25/.31-.39
9. Assumptions, limiting conditions, and scope limitations;	Par (f) and (g)	13 and 14	Sec. .44	Secs. .25/.44
10. Ownership size, nature, restrictions, and agreements;	Par (e) and SR 9-4, Par (c) and (d)	11	Sec. .46c	Secs. .25/.27/.28
11. Sources of information; and	Par (h)	BVS-I, Section II C 1 (c) 2 and 3	Sec. .46i	Sec. .27
12. Other factors that may influence value when appropriate in the opinion of the member.	SR 9-4(b)	5, 6, 7	Sec. .46	Sec. .25
H. Fundamental Analysis For a Conclusion of Value, the member must obtain and analyze applicable information, as available, to accomplish the assignment, including:	SR 9-4(b)	BVS-I/BVS-IX BVS-I, Section III (paragraph numbers below relate to this section, unless otherwise indicated):		Secs. .26-.30
1. The nature of the business and the history of the enterprise;	SR 9-4(b)(i), (b)(iii)	A, B, C		Sec. .27
2. The economic outlook in general and the condition and outlook of the specific industry in particular;	SR 9-4(b)(ii)	E, F, G		Sec. .27
3. The adjusted book value of the interest to be valued and the financial condition of the enterprise;	SR 9-4(b)(ii)	C, D/BVS-II		Sec. .29
4. The earning capacity of the enterprise;	SR 9-4(b)(iii)	C, I/BVS-II		Sec. .29
5. The dividend paying capacity of the enterprise;		C, I		Sec. .29

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			Calculation	Valuation
6. Whether or not the enterprise has goodwill or other intangible value;	SR 9-4(b)(vii)	D		Sec. .29
7. Prior sale of interests in the enterprise being valued;	SR 9-4(b)(iv)	H		Sec. .29
8. Size of interest to be valued and its control, liquidity, and marketability characteristics;	SR 9-2(e)(iv) and (e)(v)	A/BVS-VII		Secs. .28/.29/.40
9. The market price of interests or enterprises engaged in the same or a similar line of business having interests actively traded in a free and open market;	SR 9-4(b)(v)	G		Secs. .29/.36
10. Hypothetical conditions appropriate for the circumstances; and	SR 9-2(g)	BVS-I, Section II B 13 and 14		Secs. .22/.29
11. All other information deemed by the member to be relevant.	SR 9-2(h)	I		Secs. .26/.29/.30

V. Reporting Standards

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
<p>A. General A member shall comply with these Reporting Standards when expressing a Conclusion of Value or a Calculated Value. The objective of these Reporting Standards is to ensure consistency and quality of valuation reports issued by members of NACVA. The purpose of these Reporting Standards is to establish minimum reporting criteria.</p>	SR 10	BVS-I, Section VI (Refers to USPAP 10)	Secs. .73-.78 [F11]	Secs. .47-.49/ Sec. .78
<p>B. Form of Report The form of any particular report should be appropriate for the engagement, its purpose, its findings, and the needs of the decision-makers who receive and rely upon it. The purpose of these Reporting Standards is to establish minimum reporting criteria. The report may be written or oral.</p>	SR 10-1	BVS-I, Section VI	Secs. .73-.78 [F11]	Secs. .47-.49/ Sec. .78
<p>C. Contents of Report A report expressing a Conclusion of Value may be presented in either a Summary or Detailed Report. A Calculated Value must be presented in a Calculation Report. The member should disclose the report type (Detailed, Summary, or Calculation).</p>	SR 10-2 provides for two options: Appraisal Report or Restricted Appraisal Report, where the latter's other intended users are specifically named (Refer to AO-38)	BVS-VIII, Preamble: This standard applies to comprehensive written reports	Secs. .48c/.73-.78 [F11]	Secs. .47-.49/ Sec. .78
<p>1. Detailed Reports Detailed Reports must be coherent, supportable, and understandable. A detailed report should include, as applicable, the following sections titled using wording similar in content to that shown:</p>	SR 10-2 (paragraph numbers below relate to this section, unless otherwise indicated):	BVS-VIII, Section VIII (section numbers below relate to this section, unless otherwise indicated):		Sec. .51
a) Letter of Transmittal				Sec. .51
b) Table of Contents				Sec. .51
c) Introduction, may include:				Sec. .51
(1) Identification of the subject being valued	Par (a)(iv)	Section IV A		Sec. .52
(2) Purpose and use of the valuation	Par (a)(iii)	Section IV B		Sec. .52
(3) Description of the interest being valued	Par (a)(iv)	Section IV A		Sec. .52
(4) Ownership size, nature, restrictions, and agreements	Par (a) (v) and (vi)	Section IV A and E		Sec. .52
(5) Valuation date	Par (a)(viii)	Section IV F		Sec. .52
(6) Report date	Par (a)(viii)	Section IV F		Sec. .52
(7) Standard of Value and its definition	Par (a)(vii)	Section IV C		Sec. .52
(8) Identification of the premise of value	Par (a)(vii)	Section IV D		Sec. .52

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
(9) Scope limitations	Par (a)(ix): summarize scope	Section III B		Sec. .52
(10) Material matters considered	Par (a)(xi)			Sec. .52
(11) Hypothetical conditions/assumptions and the reason for their inclusion	Par (a)(xii)	Section IV G		Secs. .52/.18/.22
(12) Disclosure of subsequent events considered				Secs. .52/.43
(13) Reliance on a specialist	Par (a)(x) (Refer to AO-31)/ SR 10-3(c)	Section III B		Secs. .52/.20
(14) Denial of access to essential data	Scope of Work Rule	PAPCE Par 6.5		Secs. .52/.19
(15) Jurisdictional exceptions and requirements	Jurisdictional Exception Rule	Refer to USPAP Jurisdictional Exception Rule		Secs. .52/.10
d) Sources of information	SR 10-2(a)(xi)	Section V K		Secs. .51/.53
e) A description of the fundamental analysis (refer to IV(H)), may include:	SR 10-2(a)(xi)	Section VI		Secs. .54-.70
(1) Historical financial statement summaries	SR 10-2	Section VI A		Secs. .54-.70
(2) Adjustments to historical financial statements	SR 10-2	Section VI B		Secs. .54-.70
(3) Adjusted financial statement summaries	SR 10-2	Section VI B		Secs. .54-.70
(4) Projected/forecasted financial statements including the underlying assumptions	SR 10-2	Section VI C		Secs. .54-.70
(5) Non-operating assets and liabilities	SR 10-2	Section VI A		Secs. .54-.70
(6) Valuation approaches and method(s) considered by the member	SR 10-2	Section VII A		Secs. .54-.70
(7) Valuation approaches and method(s) utilized by the member	SR 10-2	Section VII A		Secs. .54-.70
(8) Other items that influence the valuation	SR 10-2	Section VII B		Secs. .54-.70
(9) Site visit disclosure	SR 10-2			Secs. .54-.70
(10) Reconciliation of estimates and conclusion of value	SR 10-2	BVS-VI		Secs. .54-.70/ Sec. .42
f) Identification of the assumptions and limiting conditions	SR 10-1(c)	BVS-VIII, Section III		Secs. .54-.70
g) Representation of the member may include:	SR 10-3 (Certification)	BVS-VIII, Section II		Secs. .54-.70
(1) Client identification and limitations on use of report	SR 10-3	BVS-VIII, Section IX		Secs. .54-.70
(2) Disclosure of any contingency fee	SR 10-3 (no contingency fee) [F5]	PAPCE Par 7.1 and BVS-VIII Section III A		Secs. .54-.70
(3) A statement of financial interest	SR 10-3	BVS-VIII, Section III		Secs. .54-.70
(4) Whether or not the member is obligated to update the report				Secs. .54-.70
(5) Responsible member signature—the member who has primary responsibility for the determination of value must sign or be identified in the report	SR 10-3	BVS-VIII, Section II		Sec. .65
h) Qualifications of member	See Ethics Rule (Definition of Appraiser)	PAPCE Par 3.4 and 4.2		Sec. .67
i) Appendices and exhibits	SR 10-2(a)(ix)/SR 10-3			Sec. .70
2. Summary Reports Summary Reports should set forth the Conclusion of Value through an abridged version of the information that would be provided in a detailed report as outlined in (C.1.a) through (C.1.i) as applicable, and therefore, need not contain the same level of detail.	[F4] [F6]	BVS-VIII, Section I B (refers to minimum content required by USPAP SR 10-2)		Secs. .71-.72
3. Calculation Reports A Calculation Report should set forth the Calculated Value and should include the following information:	[F4] [F6]	No specific standard for calculation report format [F10]	Secs. .73-.77 [F11]	

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
a) Introduction may include:	[F4] [F6]	[F10]	Secs. .73-.77	
(1) Identification of the subject interest	[F4] [F6]	[F10]	Secs. .73-.77	
(2) Purpose and use of the calculation	[F4] [F6]	[F10]	Secs. .73-.77	
(3) Description of the interest being valued	[F4] [F6]	[F10]	Secs. .73-.77	
(4) Ownership size, nature, restrictions, and agreements	[F4] [F6]	[F10]	Secs. .73-.77	
(5) Calculation date	[F4] [F6]	[F10]	Secs. .73-.77	
(6) Report date	[F4] [F6]	[F10]	Secs. .73-.77	
(7) Scope of work	[F4] [F6]	[F10]	Secs. .73-.77	
(8) Calculation Procedures	[F4] [F6]	[F10]	Secs. .73-.77	
(9) Hypothetical conditions/assumptions and the reason for their inclusion	[F4] [F6]	[F10]	Secs. .73-.77/.18/.22	
(10) Disclosure of subsequent events considered	[F4] [F6]	[F10]	Secs. .43/.46/.73-.77	
(11) Reliance on a specialist	[F4] [F6]	[F10]	Secs. .20/.73-.77	
b) Identification of the assumptions and limiting conditions	[F4] [F6]	[F10]	Secs. .73-.77	
c) Representation of the member, adapted to a calculation report	[F4] [F6]	[F10]	Secs. .73/.77	
(1) Client identification and limitations on use of report	[F4] [F6]	[F10]	Secs. .73-.77	
(2) Disclosure of any contingency fee	[F4] [F6]	[F10]	Secs. .73-.77	
(3) A statement of financial interest	[F4] [F6]	[F10]	Secs. .03/.73-.77	
(4) Whether or not member is obligated to update the report	[F4] [F6]	[F10]	Secs. .73-.77	
(5) Responsible member signature—the member who has primary responsibility for the determination of the calculated value must sign or be identified in the report	[F4] [F6]	[F10]	Secs. .73-.77	
d) Appendices and exhibits	[F4] [F6]	[F10]	Secs. .73-.77	
e) Purpose of the calculation procedures	[F4] [F6]	[F10]	Secs. .73-.77	
f) Statement that the expression of value is a Calculated Value	[F4] [F6]	[F10]	Secs. .73-.77	
g) A general description of the calculation, including a statement similar to the following: "This Calculation Engagement did not include all the procedures required for a Conclusion of Value. Had a Conclusion of Value been determined, the results may have been different."	[F4] [F6]	[F10]	Sec. .77	
4. Statement that the Report is in Accordance with NACVA Standards A statement similar to the following should be included in the member's report: "This analysis and report were completed in accordance with 'The National Association of Certified Valuators and Analysts' Professional Standards."	SR 10-3	PAPCE Par 8.1	SSVS STD Sec. .76	SSVS STD Secs. .65/.69
D. Litigation Engagements Reporting Standards A valuation performed for a matter before a court, an arbitrator, a mediator, or other facilitator, or a matter in a governmental or administrative proceeding, is exempt from the reporting provisions of these standards. The reporting exemption applies whether the matter proceeds to trial or settles. This litigation waiver does not, however, relieve the member from complying with the Development Standards and all other standards promulgated by NACVA.	[F7]	Procedural Guideline PG-1, Litigation Support, contains guidelines as to: conducting the assignment, preparation of an expert report, retention of work papers, and report	Secs. .47/.50 [F11]	Secs. .47/.50

VI. Business Valuation Review

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
<p>A. Applicability These standards are applicable in an engagement to review a report that valued a <i>business, business ownership interest, security, or intangible asset</i>. The General and Ethical standards apply to all professional services performed by members.</p>	SR 3-1	ASA Members are required to follow USPAP (Refer to SR 3)	[F3]	[F3]
<p>1. Under these Review Standards, if the member provides a Conclusion of Value or Calculated Value as a part of the Review of another valuation analyst's work, the member must follow NACVA's General Business Valuation Standards as outlined in paragraphs III. through V. above. In the context of preparing the Conclusion of Value or Calculated Value, the Litigation Engagement Reporting Standards as outlined in (paragraph V.D.) applies.</p>				
<p>2. If the member does not provide a Conclusion of Value or Calculated Value as part of the Business Valuation Review, the member need only provide an opinion, including the basis and reason for the opinion, as to whether the report under review is appropriate and not misleading within the context of the requirements applicable to that work, stating the reasons for any disagreement, following the Review Standards below. The member can provide such opinion in a written or an oral Review Report.</p>				
<p>B. General Business Valuation Review is the act or process of developing and communicating a member's opinion regarding the credibility of the work product of another valuation analyst. It is a type of service, whether in written or oral form, intended to provide to identified users that the report is credible.</p>	Definition (Appraisal Review)			
A Business Valuation Review opinion is not a Conclusion of Value or Calculated Value.				
A member should not issue a Conclusion of Value or a Calculated Value, orally or in writing, solely as a result of performing a Business Valuation Review.				
A member must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased or advocate for the client's objectives.	SR 3-2/SR 4-3			
The scope of a Business Valuation Review should be sufficient to provide a member a basis for rendering a credible Business Valuation Review opinion regarding the relevance, reliability, completeness, and reliable application of the business valuation methodology under review, and its consistency with generally accepted valuation practices. [F1]	SR 3-2(g)/SR 3-3(a) (Comment)			
Consistent with the member's scope of work, the member is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the report, given law, regulations, or intended user requirements applicable to that work. [F1]	SR 3-2(g)/SR 3-3(b) (Comment)			
When the scope of work includes the member developing his or her own Conclusion of Value or Calculated Value, the member must comply with the Professional Standards applicable to the development of that conclusion or calculation.	SR 3-3(c)			
A member's findings and conclusions should be stated in the form of an opinion as of the completion date of the Business Valuation Review engagement.	SR 4-2(d)(iii)			
<p>1. Types of Opinions</p>				
When necessary for credible assignment results in the review of a report, the member must:	SR 3-3(b)			
a) Develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and	SR 3-3(b)(i)			
b) Develop the reasons for any disagreement.	SR 3-3(b)(ii)			

VII. Review Engagement Development Standards

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
A. Identification				
A member must define the assignment and scope of the work necessary by identifying the following:	SR 3-2			
1. The client and other intended users;	SR 3-2(a)			
2. The purpose and intended use of the member's opinions and conclusions;	SR 3-2(b)/SR 3-2(c)			
3. Whether the assignment includes the development of the member's own opinion of value or review opinion related to the work under review;	SR 3-2(c)			
4. The ownership interest that is the subject of the work under review;	SR 3-2(d)(i)			
5. The date of the work under review and the effective date of the opinions or conclusions of the work under review;	SR 3-2(d)(ii)			
6. The valuation analyst(s) who completed the work under review, unless the identity is withheld by the client;	SR3-2(d)(iii)			
7. The physical, legal, and economic characteristics of the business, business ownership interest, security, or intangible asset and market area of the work under review;	SR 3-2(d)(iv)			
8. The effective date of the member's opinions and conclusions; and	SR 3-2(d)(ii)			
9. Any hypothetical conditions/assumptions necessary in the review.	SR 3-2(e)/SR 3-2(f)			
B. Fundamental Analysis				
A member should perform an analysis as defined by the scope of the work of the business valuation approaches, methods, and procedures used in the report under review. This may include whether the analytical procedures and supporting documentation incorporated in the analysis to arrive at the Conclusion of Value or Calculated Value are complete, accurate, adequate, relevant, reliable, appropriate, and reasonable as reported, as well as:	SR 3-3(a)			
1. Complete research and analyses necessary to produce a credible Business Valuation Review;	SR 3-2(g)			
2. Apply the Business Valuation Review methods and techniques that are necessary for credible engagement results;	SR 3-3			
3. Develop an opinion as to whether the analyses are appropriate and credible within the context of the requirements of the review engagement;	SR 3-3(a)(i)			
4. Develop an opinion as to whether the opinions and conclusions are credible within the context of the requirements applicable to that work; and	SR 3-3(a)(ii)			
5. Develop the reasons for any disagreement.	SR 3-3(a)(iii)			

VIII. Review Engagement Reporting Standards

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
<p>A. General [F2] Reporting the results of a Business Valuation Review must be separate from the work under review and must clearly and accurately contain sufficient information to enable the intended users of the Business Valuation Review to understand the report properly.</p> <p>A Business Valuation Review Report should contain the following:</p>	SR 4-1	ASA members are required to follow USPAP (Refer to SR 4)		
1. An Introduction				
a) State the identity of the client and any intended users, by name or type;	SR 4-2(a)			
b) State the purpose and intended use of the Business Valuation Review;	SR 4-2(b)/SR 4-2(c)			
c) State the date of the work under review, the effective date of the Business Valuation Review, and the date of the valuation review report;	SR 4-2(d)(ii)/SR 4-2(d)(iii)/SR 4-2(e)			
d) Identify valuation analyst(s) who completed the work under review, unless the identity is withheld by the client; and	SR 4-2(d)(iv)/SR 4-3			
e) Identify the report under review, including the ownership interest.	SR 4-2(d)(i)			
2. An Opinion When necessary for credible assignment results in the review of a report, the member must:				
a) State an opinion, including the basis and reason for the opinion offered, as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and	SR 4-2(i)			
b) State the reasons for any disagreement.	SR 4-2(i)			
3. If outside the Business Valuation Review, the member develops his or her own Conclusion of Value or Calculated Value	SR 4-2(j)			
The Business Valuation Review Report should contain the following:	SR 4-2(j)			
a) State which information, analyses, opinions, and conclusions in the work under review that the member accepted as credible and used in developing the member's Conclusion of Value or Calculated Value;	SR 4-2(j)(i)			
b) Summarize any additional information relied on and the reasoning for the member's Conclusion of Value, Calculated Value, or review opinion related to the work under review; and	SR 4-2(j)(ii)			
c) Clearly and conspicuously state all hypothetical conditions/assumptions connected with the member's Conclusion of Value, Calculated Value, or review opinion related to the work under review and state whether their use might have affected the assignment results.	SR 4-2(j)(iii)			
4. Business Valuation Review Assumptions and Limiting Conditions	SR 4-2(f)			
a) Clearly and accurately disclose all assumptions and hypothetical conditions used in the assignment.	SR 4-2(f)			
5. Sources of Information Relied Upon by the Member	SR 4-2(g)			
6. Representation of the Member	SR 4-3			
7. Appendix and/or Exhibits				
8. Qualifications of Member	SR 3-1(a) (Comment)			
To the extent that it is both possible and appropriate, an oral Business Valuation Review Report must address the substantive matters set forth in NACVA's Professional Business Valuation Review Standards.	SR 4-4			

IX. International Glossary

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
The International Glossary of Business Valuation Terms was developed by the valuation organizations identified in the Glossary. These definitions should be used by members (see Appendix) unless preempted by Regulatory authority.	Definitions [F13]	Glossary includes terms from International Glossary [F13]	x [F13]	x [F13]

X. Effective Date

NACVA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
			Calculation	Valuation
These Professional Standards are effective for engagements accepted on or after June 1, 2017. Earlier adoption by members is encouraged. Revised to include Review Standards.	January 1, 2020 through December 31, 2022	PAPCE Revised November 18, 2020/BVS Revised November 2009	Sec. .79 January 1, 2008	Sec. .79 January 1, 2008

Definitions

“x”—An “x” in any column indicates that it matches or is equivalent to the NACVA Professional Standards.

“Blank”—In those instances where there is a “Blank” or there is no reference in a cell, it simply means there may be no equivalent reference in that particular set of professional standards to the NACVA Professional Standards.

Footnotes

[F1] A Business Valuation Review is the act or process of developing and communicating an opinion regarding the credibility (or quality) of the work product of another valuation analyst. Here, credibility refers to “worthy of belief” and requires the member to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the report; as well as the assurance of the reliable application of business valuation methodology under review, given law, regulations, or intended user requirements applicable to that work, and its consistency with generally accepted valuation practices.

Completeness requires an evaluation by the member to determine the sufficiency of the data and analyses in the report.

Adequacy refers to the requirement that the appraisal process as described in the report provides adequate disclosures that are sufficient, informative, and relevant to provide an understanding of the appraiser’s opinion of value.

Relevance refers to the simple logic that the appraiser’s fact pattern and analyses support the opined conclusion. For example, is the growth rate related to the calculated benefit stream and adequately explained?

Reliability refers to the fact that the appraiser has used generally accepted valuation methods that were determined to

be reliably applied and would arrive at similar results based upon similar facts and circumstances.

Finally, a member’s opinion about the credibility of an appraiser’s report must also include the adequacy, appropriateness, and reasonableness of the work under review, and was the value developed within the context of generally accepted valuation practices.

[F2] There is no litigation exemption in the Review Engagement Reporting Standards if the member does not provide his or her own Conclusion of Value or Calculated Value. A litigation reporting exemption is not required because it is anticipated that a member in such Review Engagements will be expected to opine, in writing or orally, as to whether an appraisal report reviewed is appropriate and not misleading within the context of the requirements applicable to that work, and for the member to provide the reasons for any disagreement. Alternatively, in those instances, when a member provides his or her own Conclusion of Value or Calculated Value, the NACVA Business Valuation Standards apply including the Litigation Engagement Reporting Standards, which include the litigation exemption provision. Finally, it is expected that the member will realize that the Review Engagement Development and Review Engagement Reporting Standards provide guidance that the member already is generally following in such engagements.

[F3] In accordance with a memorandum published by the AICPA on April 29, 2008, the Valuation Standards Subcommittee states that a valuation analyst can perform a review of an opposing expert’s valuation analysis and report, and that such a review and critique assignment is not covered by SSVS. In fact, a valuation analyst can perform a USPAP-compliant review appraisal and not violate SSVS. However, if the valuation analyst reaches his or her own valuation conclusion, then the SSVS valuation engagement standards do apply. That is, the valuation analyst can critique the opposing expert’s data sources, research procedures, approaches and methods, mathematics and logic, report consistency and clarity, etc. The valuation analyst can also correct the opposing expert’s analysis (for any reason) and indicate corrected values. However, once the valuation analyst concludes that a corrected value indication (or any value indication) represents his or her opinion of value, then the SSVS valuation development standards apply. Further, since a review and critique assignment is often prepared for litigation purposes, the SSVS reporting standards do not apply (i.e., the SSVS litigation reporting exception does apply).

[F4] According to Carla Glass, CFA, FASA, in her article entitled, *The Question of Calculations and USPAP—Another Round* (FVLE Issue 47, February/March 2014), she states that the use of the word

appraisal within USPAP did not change in the 2006 edition of USPAP, when this term incorporated both a complete appraisal and a limited appraisal. Consequently, a calculation engagement in compliance with USPAP is possible. However, the appraiser is responsible for making sure that the scope of work performed is appropriate in such a calculation engagement and cannot be so limited that the assignment results would not be credible in the context of the intended use.

[F5] USPAP prohibits contingent fees based on the opinion of value when an appraiser is performing an appraisal.

[F6] As of January 1, 2020, USPAP did not specifically address a Summary or a Calculation Report, although it did address a Restricted Appraisal Report. However, USPAP issued Q&A 2020-05 on April 28, 2020 that states that USPAP permits Limited Appraisals or Calculation Engagements in the practice of Business Appraisals, which are examples of assignments with a narrow scope of work. It is the appraiser's responsibility to determine when use of these narrower scopes of work is appropriate. For example, the scope of work must be sufficient to develop assignment results that are credible in the context of the intended use.

On April 26, 2022, The Appraisal Foundation issued Valuation Brief 2022-1 entitled *Understanding the Differences: Conclusion of Value v. Value Calculations*. This is the first in a series of Valuation Briefs to be published by The Appraisal Foundation and written by the Business Valuation Resources Panel. The purpose of this review draft is to obtain feedback by May 26, 2022. These valuation briefs are intended to provide practical discussions of various valuation issues that may be of interest to clients or the public at large. They are not intended to provide formal guidance or authoritative standards or commentary and are not necessarily the view of the Appraisal Foundation. This Valuation Brief not only discusses the differences of conclusion of values versus value calculations under USPAP, but also summarizes applicable standards under the ASA, AICPA, and NACVA professional organizations.

[F7] USPAP does not have a reporting exemption for litigation.

[F8] International Ethics Standards Coalition ("IESC"). ASA and more than 100 property professional bodies worldwide make up the IESC, who believe that creating a universally applicable set of ethics values will help assert the role of ethics and help ensure greater professionalism. The group has published the first set of ethics principles for professionals working in land, property, construction, infrastructure, and related professions entitled International Ethics Standards ("IES"), December 2016, that cover ethical principles including: accountability, confidentiality, conflict of interest, financial responsibility, integrity, lawfulness,

reflection (practitioners shall regularly reflect on the standards for their discipline), standard of service, transparency, and trust.

[F9] In general, The Appraisal Foundation developed standards for all appraisal disciplines through USPAP with Standards 9 and 10 applying specifically to business valuation. Appraisals that will be utilized by lending institutions backed by federal agencies are required to comply with USPAP. However, the American Society of Appraisers ("ASA") requires its members to follow USPAP guidelines regardless of the use of the appraisal. Further, ASA has developed practice standards and a code of ethics ("PAPCE") for its members to follow when conducting business valuations. Finally, the Business Valuation Committee of the ASA has developed its own set of standards for BV members to follow, which is referred to as BVS.

[F10] ASA has three levels of service: an Appraisal, a Limited Appraisal, and a Calculation. The objective of an ASA Appraisal is to express an unambiguous opinion as to the value of a business, business ownership interest, security, or intangible asset, which opinion is supported by all procedures that the appraiser deems to be relevant to the valuation. Consequently, an Appraisal under ASA (and USPAP) can generally be considered very similar to a valuation under AICPA and NACVA. The objective of an ASA Limited Appraisal is to express an estimate as to the value of a business, business ownership interest, security, or intangible asset. The development of this estimate excludes some additional procedures that are required in an ASA Appraisal, and for this reason, there is no equivalent Limited Appraisal under AICPA and NACVA, although a Calculation under AICPA and NACVA could be similar to an ASA Limited Appraisal depending on the level of detail. The objective of an ASA Calculation is to provide an approximate indication of value of a business, business ownership interest, security, or intangible asset based upon the performance of limited procedures agreed upon by the appraiser and the client. In this instance, a Calculation under ASA may be regarded similar to a Calculation under AICPA and NACVA.

[F11] Calculation Engagements—Frequently Asked Questions (FAQs)—Non-Authoritative. Calculation engagements have resulted in the most questions received from members of the AICPA, NACVA, and other professional appraisers since the AICPA released its Statement on Standards for Valuation Services No. 1 in June 2017 and the updated version to the NACVA Professional Standards effective January 1, 2008. Consequently, the AICPA released AICPA, Valuation Services, VS Section 100, "Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset, Calculation Engagements,

Frequently Asked Questions (FAQs), Non-Authoritative," which can be obtained from the AICPA website, that addresses many of these questions. NACVA issued FAQs to address questions from its members applicable to calculation engagements.

[F12] The Forensic and Valuation Services Executive Committee of the AICPA issued Statement on Standards for Forensic Services No. 1 ("SSFS No. 1") that's effective for engagements accepted on or after January 1, 2020. These new forensic standards apply to litigations and investigations and can be applicable to valuation assignments, especially to CPAs and/or AICPA members. It is also important to understand that Agreed-Upon Procedures Engagements ("AUP standard") under ATC section 215 is not the same as an agreement between the practitioner (business valuator) and the client to perform a calculation engagement for business valuation purposes. When performing services under the AUP standard, "the member does not perform an examination or a review and does not provide an opinion or conclusion." Under the AUP standard, "An agreed-upon procedures engagement is one in which a practitioner is engaged to issue, or does issue, a practitioner's report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner's findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner." Note that it is the specified parties that determine the appropriate procedures, and it is not an agreement between the practitioner and the specified parties of the appropriate procedures to be performed. In addition, "specified parties are responsible for the sufficiency (nature, timing, and extent) of the agreed-upon procedures because they best understand their own needs." An agreed-upon procedures' report is in the form of procedures and findings. Further, the AUP standard indicates that there should be included in the report a "statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants." All of the foregoing, points to the fact that performing an agreed-upon procedures engagement is not the same as a calculation engagement for valuation purposes. It is pointed out in the FAQs for the AICPA's Statement on Standards for Forensic Services (FS Section 100) that both SSFS No. 1 and the Statements on Standards for Valuation Services can apply to a member performing a valuation in "Litigation" or "Investigation" engagements.

[F13] The International Glossary of Business Valuation Terms was promulgated and adopted by the American Institute of Certified Public Accountants (AICPA), the American Society of Appraisers (ASA), the CBV Institute (formerly the Canadian Institute of Chartered Business Valuators), the National Association of Certified Valuators and Analysts (NACVA), and the Institute of Business Appraisers (IBA) (originally published in 2001). NACVA has included the International Glossary of Business Valuation

Terms as an Appendix to its NACVA Professional Standards, and these definitions should be used by members unless preempted by Regulatory authority. In November 2021, The International Valuation Glossary—Business Valuation (Glossary) was developed by a working group made up of members of the American Society of Appraisers (ASA), the CBV Institute (CBV), the Royal Institution of Chartered Surveyors (RICS), and the Saudi Authority for Accredited Valuers (TAQEEM). The Glossary

is intended to be an update to the International Glossary of Business Valuation Terms. It was developed as part of ongoing efforts to harmonize definitions for terms used in business valuation, as well as a reference tool to facilitate communication within the business valuation profession. The Glossary is designed to be helpful, but neither authoritative nor prescriptive. NACVA is currently in the process of [reviewing](#) the terms included in the Glossary.

Additional Items Not Covered in the Chart

NACVA

Standards FAQ Library

The NACVA Standards Board issued a compilation of Standards FAQs that provide guidance on a number of different subjects under Litigation and Non-Litigation Questions that can be found on the NACVA.com website under Professional Standards. The FAQs cover frequently encountered Standards-related issues and are intended to assist members with understanding how the NACVA Professional Standards should generally be interpreted. These questions and answers were prepared by the NACVA Standards Board and reviewed and approved by members of the Executive Advisory Board. Although the information contained in the questions and answers has been carefully reviewed and compiled, it is important to note that these FAQs do not have the full authority of the NACVA Professional Standards, but rather provide best practices and guidance to our members. Non-adherence to the interpretive guidance contained within the FAQs shall not, by itself or otherwise, constitute a violation of the NACVA Professional Standards, as professional judgment must always be applied to the facts and circumstances on a case by case basis.

USPAP

Ethics Rule

An appraiser:

- must not agree to perform an assignment that includes the reporting of predetermined opinions and conclusions.
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.
- must not engage in criminal conduct.

If known prior to agreeing to perform an assignment, and/or if discovered at any time during the assignment, an appraiser must

disclose to the client, and in the subsequent report certification:

- any services regarding the subject property performed by the appraiser within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection with the procurement of an assignment.

An appraiser must not advertise for or solicit assignments in a manner that is false, misleading, or exaggerated.

Record Keeping Rule

An appraiser must prepare a work file for each appraisal or appraisal review assignment. A work file must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the work file within a reasonable time after the issuance of the oral report.

The work file must include:

- the name of the client and the identity, by name or type, of any other intended users;
- true copies of any written reports, documented on any type of media;
- summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification;
- all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation; and a work file in support of a Restricted Appraisal Report or an Oral Appraisal Report must be sufficient for the appraiser to produce an Appraisal Report
- work file in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report

An appraiser must retain the work file for a period of at least five years after preparation or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the work file, or make appropriate work file retention, access, and retrieval arrangements with the party having custody of the work file.

This includes ensuring that a work file is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period.

Scope of Work Rule

Scope of work acceptability and disclosure: USPAP goes into greater detail to set out the criteria to define an acceptable scope of work and may allow for other engagements, such as calculation reports. However, the scope of work is required to be disclosed in the report.

Standard 9: Business Appraisal, Development

SR 9-5: In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:

- a. reconcile the quality and quantity of data available and analyzed within the approaches, methods, and procedures used; and
- b. reconcile the applicability and relevance of the approaches, methods, and procedures used to arrive at the value conclusion(s).

Standard 10: Business Appraisal, Reporting

SR 10-3: Provides a prescribed form for the appraiser's signed certification including the responsibility of accepting the work of a specialist.

ASA Standards

Principles of Appraisal Practice and Code of Ethics

Foreword

"Because of the specialized knowledge and abilities required of the appraiser which are not possessed by the layperson, there has now come to be established a fiduciary relationship between him/her and those who are intended users of his/her findings."

5. Appraiser's Obligation to Other Appraisers and to the Society (American Society of Appraisers)

5.1 Protection of Professional Reputation of Other Appraisers

It is unethical for an appraiser to injure, or attempt to injure, by false or malicious statements or by innuendo the professional reputation or prospects of any appraiser.

5.2 Appraiser's Obligation Relative to Society's Disciplinary Actions

A member of the Society, having knowledge of an act by another member which, in his/her opinion, is in violation of the ethical principles incorporated in the Principles of Appraisal Practice and Code of Ethics of the Society, has the obligation to report the matter in accordance with the procedure specified in the Constitution, Bylaws, and Administrative Rules.

7.2 Percentage Fees

Professional fees based on a percentage of value are unethical unless there is a judicial exception.

7.3 Disinterested Appraisals

An appraiser shall disclose any present or contemplated interest in the properties or properties appraised. This includes any relationship with family members, related parties, and/or entities may have in the property appraised.

However, if a prospective client, after full disclosure by the appraiser of his/her present or contemplated future interest in the subject property, still desires to have the appraiser do the work, the latter may properly accept the engagement provided he/she discloses the nature and extent of his/her interest in his/her appraisal report.

7.7 Advertising and Solicitation

It is not unethical to advertise the availability of appraisal services. It is unethical to use any inaccurate, misleading, false or deceptive claim, promise, or representation in connection with any advertisement. Any advertising of professional appraisal services shall be truthful and in accordance with Administrative Rule I.

ASA requires identification of the following (which are not specifically identified in the Chart):

BVS-1, Section II B

- The type of engagement (Appraisal, Limited Appraisal, or Calculation)—Paragraph 3
- The type of entity—Paragraph 5
- The state or jurisdiction of incorporation, if applicable—Paragraph 6
- The principal business location (or headquarters)—Paragraph 7

BVS-VIII, Section IV E

- The level of value, such as marketable minority or non-marketable minority, must be defined—Paragraph 11

BVS-VIII, Section VI D

- If appropriate, the company's financial results in comparison to those of the industry in which it operates must be discussed

ASA launches New Business Valuation Special Topics—Technical Papers

The Business Valuation Committee of the ASA has released a new series of Special Topics—Technical Papers prepared by the Technical Issues Sub-committee. These recommended best practices on special topic interests have been reviewed and approved by the Business Valuation Committee of ASA, but they do not constitute a standard and are not authoritative and facts and circumstances could require the use of further professional judgment and a different approach.

Currently, the Special Topics—Technical Papers, which can be obtained on ASA's website, include:

- 01: Use of Offers as Indications of Value in the Market Approach
- 02: Reinvestment Considerations in Terminal Value Estimates
- 03: Use of Management's Prospective Financial Information by a Valuation Analyst
- 04: The Willing Buyer and the Willing Seller in Fair Market Value
- 05: Consideration of Stock-Based Compensation in the Valuation Process

AICPA Standards

VS Section 100.07. This Statement is not applicable to internal use assignments from employers to employee members not in public practice, as that term is defined in the code (ET sec. 0.400.42). See also Valuation Interpretation No. 1, "Scope of Applicable Services" (VS sec. 9100), illustrations 24 and 25 (VS sec. 9100 .78-.81).

Independence and Valuation

VS Section 100.15. If valuation services are performed for a client for which the valuation analyst or valuation analyst's firm also performs an attest engagement (defined by "Independence Rule" of the code), the valuation analyst should meet the requirements included in the interpretations of the "Nonattest Services" subtopic (ET sec. 1.295) under the "Independence Rule" (ET sec. 1.200.001) so as not to impair the member's independence with respect to the client.

Statement on Standards for Consulting Services

AICPA members should adhere to the Statement on Standards for Consulting Services (SSCS) No. 1, *Consulting Services: Definitions and Standards* (CS sec. 100) unless they are working in litigation or investigation and then they should follow SSFS No.1 (See [F12]). AICPA CS sec. 100 also references the AICPA Code of Professional Conduct. Some AICPA references in the Standards Comparison Chart can be found in these documents.

Defining Professional Requirements in Business Valuation Standards

The terms (1) **must (required)**, (2) **should**, and (3) **may (might or could)** are often seen in professional standards. We have provided below a general explanation of these terms, although these descriptions are not authoritative, but represent views of these terms, as some may be used in the foregoing Business Valuation Standards (Refer to AICPA Statement on Auditing Standards AU Section Section 120—*Defining Professional Requirements in Statement on Auditing Standards*[12/2005]):

(1) **Unconditional Requirements.** The use of the terms **must** or **required** can be construed to represent an unconditional requirement. In this case, a valuation analyst is required to comply with an unconditional requirement in all cases in which the circumstances exist to which such requirement applies.

(2) **Presumptively Mandatory Requirements.** The use of the term **should** can be construed as a presumptively mandatory requirement. A valuation analyst is expected to comply with a presumptively mandatory requirement in all cases in which the circumstances exist to which the presumptively mandatory requirement applies. However, in rare circumstances, the valuation analyst may depart from a presumptively mandatory requirement provided the valuation analyst documents his or her justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.

(3) **Suggested Procedures or Actions.** The use of the terms **may**, **might**, or **could** are not intended to impose a professional requirement for the valuation analyst to perform the suggested procedures or actions. Rather, these procedures or actions require the valuation analyst's attention and understanding; how and whether the valuation analyst carries out such procedures or actions in the engagement depends on the exercise of professional judgment in the circumstances consistent with the objective of the standard.

Summary

All standards compared are virtually addressing the same issues and do not conflict. The differences noted relate to greater detail addressed on a topic or issues specific to each organization.

A comparative analysis and discussion of each of the business valuation standards is presented in Chapter 4—Business Valuation Standards and Ethics, *A Consensus View: Q&A Guide to Financial Valuation* by James R. Hitchner, Shannon P. Pratt, and Jay E. Fishman (Valuation Products and Services, LLC, Ventnor City, New Jersey, 2016).

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