

International Glossary of Appraisal/Valuation Terms—U.S. Domestic Comparison Chart of Definitions

In November 2021, 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"), jointly published the *International Valuation Glossary—Business Valuation* (See Below) as part of ongoing efforts to harmonize definitions for terms used in business valuation. It is intended to be a reference tool to facilitate communication within the business valuation profession and with relevant stakeholders and users. This Glossary is designed to be helpful, but neither authoritative nor prescriptive. To that end, the Glossary aims to provide a common understanding of technical terms used within the various sub-practice areas of business valuation, and for those operating in different markets. However, the *National Association of Certified Valuators and Analysts* ("NACVA") is aware that different business appraisal organizations may define technical terms somewhat differently, as well as defining certain terms not listed by other appraisal organizations.

Consequently, the intent of the *NACVA International Glossary of Appraisal/Valuation Terms—U.S. Domestic Comparison Chart of Definitions* ("Chart") is to provide a general reference tool for the valuation analyst involved in business appraisals to compare and use the appropriate appraisal/valuation terms, as defined by the applicable business appraisal organizations. The following Chart includes a comparison of the respective appraisal/valuation terms as provided by NACVA, to the *International Valuation Glossary—Business Valuation* terms and definitions, to the *Uniform Standards of Professional Appraisal Practice* ("USPAP") Definitions, to the *American Society of Appraisers* ("ASA") Glossary, and to the *American Institute of Certified Public Accountants* ("AICPA") *Statement on Standards for Valuation Services* ("SSVS") Glossaries.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Adjusted Book Value Method	A method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values. (NOTE: In Canada on a going concern basis.)				A method within the asset approach whereby all assets and liabilities (including off-balance sheet, intangible, and contingent) are adjusted to their fair market values. (NOTE: In Canada on a going concern basis.)
Adjusted Net Asset Value Method	See Adjusted Book Value Method .	A method within the Asset Approach whereby a business' assets and liabilities (including off-balance sheet assets, Intangible Assets , and contingent assets and/or liabilities) are adjusted to market values or another appropriate Standard of Value . Also known as adjusted book value method or asset accumulation method.		A method within the Asset Approach whereby a business' assets and liabilities (including off-balance sheet assets, Intangible Assets , and contingent assets and/or liabilities) are adjusted to market values or another appropriate Standard of Value . Also known as adjusted book value method or asset accumulation method.	See Adjusted Book Value Method .
Adjusted Present Value (APV)		A technique typically used to estimate the value of a levered business as the sum of the value of an unlevered business (i.e., 100 percent equity financed) and the value of the tax benefits associated with debt financing.		A technique typically used to estimate the value of a levered business as the sum of the value of an unlevered business (i.e., 100 percent equity financed) and the value of the tax benefits associated with debt financing.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Appraisal	See Valuation .	Also known as Valuation .	(noun) The act or process of developing an opinion of value; an opinion of value; (adjective) Of or pertaining to appraising and related functions such as appraisal practice or appraisal services. Comment: an appraisal is numerically expressed as a specific amount, as a range or numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).	Also known as Valuation .	See Valuation .
Appraisal Approach	See Valuation Approach .				See Valuation Approach .
Appraisal Date	See Valuation Date .				See Valuation Date .
Appraisal Method	See Valuation Method .				See Valuation Method .
Appraisal Practice			Valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review. Comment: Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others (See Advisory Opinion 21, <i>USPAP Compliance</i>). The terms appraisal and appraisal review are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review assignment.		
Appraisal Procedure	See Valuation Procedure .				See Valuation Procedure .
Appraisal Review			(noun) The act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these) that was performed as part of an appraisal or appraisal review assignment; (adjective) Of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Appraiser			One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective (See PREAMBLE and Advisory Opinion 21, <i>USPAP Compliance</i>).		
Appraiser's Peers			Other appraisers who have expertise and competency in a similar type of assignment (See Advisory Opinion 29, <i>An Acceptable Scope of Work</i>).		
Arbitrage Pricing Theory	A multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.				A multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.
Asset (Asset-Based) Approach	A general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.	A general manner of estimating the value of a business using one or more methods based on a summation of the value of the assets, net of liabilities, where each has been valued using either the market, income, or cost approach. Also known as asset-based approach. See also Cost Approach .		A general manner of estimating the value of a business using one or more methods based on a summation of the value of the assets, net of liabilities, where each has been valued using either the market, income, or cost approach. Also known as asset-based approach. See also Cost Approach .	A general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities.
Assignment			A valuation service that is provided by an appraiser as a consequence of an agreement with a client.		
Assignment Conditions			Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.		
Assignment Elements			Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Assignment Results			An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review. Comment: Physical characteristics are not assignment results.		
Assumptions and Limiting Conditions					<i>Parameters and boundaries under which a valuation is performed, as agreed upon by the valuation analyst and the client or as acknowledged or understood by the valuation analyst and the client as being due to existing circumstances. An example is the acceptance, without further verification, by the valuation analyst from the client of the client's financial statements and related information.</i>
Attrition		The annual percentage rate of loss (or churn) of an existing asset such as a customer relationship Intangible Asset .		The annual percentage rate of loss (or churn) of an existing asset such as a customer relationship Intangible Asset .	
Backsolve Method		A method within the Market Approach whereby the total Equity Value (or the value of a specific equity class) of a business is implied from a recent transaction in the business' securities.		A method within the Market Approach whereby the total Equity Value (or the value of a specific equity class) of a business is implied from a recent transaction in the business' securities.	
Basis of Value		Also known as Standard of Value .		Also known as Standard of Value .	
Beta	A measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.	A measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also Capital Asset Pricing Model, Systematic Risk, Unsystematic Risk, Levered Beta, and Unlevered Beta .		A measure of the relative risk (or sensitivity) of an individual security versus the risk of a market portfolio. See also Capital Asset Pricing Model, Systematic Risk, Unsystematic Risk, Levered Beta, and Unlevered Beta .	A measure of systematic risk of a stock; the tendency of a stock's price to correlate with changes in a specific index.
Bias			A preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Binominal Lattice Model		A model typically used to estimate the value of an asset or investment that employs a binomial tree to show the different paths the price of an underlying asset, such as a security, might take over the security's life.		A model typically used to estimate the value of an asset or investment that employs a binomial tree to show the different paths the price of an underlying asset, such as a security, might take over the security's life.	
Blockage Discount	An amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.	An amount or percentage deducted from the current market price of a publicly-traded security to reflect the decrease in the per security value of a block of securities that is of a size that could not likely be sold in a reasonable period given normal trading volume.		An amount or percentage deducted from the current market price of a publicly-traded security to reflect the decrease in the per security value of a block of securities that is of a size that could not likely be sold in a reasonable period given normal trading volume.	An amount or percentage deducted from the current market price of a publicly traded stock to reflect the decrease in the per share value of a block of stock that is of a size that could not be sold in a reasonable period of time given normal trading volume.
Book Value	See Net Book Value .				See Net Book Value .
Build-up Model		A model in which the expected return for a security (or portfolio of securities) is measured by a Risk-Free Rate plus premiums for Systematic Risk (e.g., Equity Risk Premium , size premium and industry risk premium) and Unsystematic Risk (e.g., Company-Specific Risk Premium). See also Capital Asset Pricing Model .		A model in which the expected return for a security (or portfolio of securities) is measured by a Risk-Free Rate plus premiums for Systematic Risk (e.g., Equity Risk Premium , size premium and industry risk premium) and Unsystematic Risk (e.g., Company-Specific Risk Premium). See also Capital Asset Pricing Model .	
Business	See Business Enterprise .				See Business Enterprise .
Business Enterprise	A commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.		An entity pursuing an economic activity.		A commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.
Business Equity			The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).		
Business Ownership Interest					<i>A designated share in the ownership of a business (business enterprise).</i>
Business Risk	The degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk .				The degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk .
Business Valuation	The act or process of determining the value of a business enterprise or ownership interest therein.				The act or process of determining the value of a business enterprise or ownership interest therein.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Calculated Value					<i>An estimate as to the value of a business, business ownership interest, security, or intangible asset, arrived at by applying valuation procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures.</i>
Calculation Engagement					<i>An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods that the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value of a subject interest. A calculation engagement generally does not include all of the valuation procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range.</i>
Capital Asset Pricing Model (CAPM)	A model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.	A single factor asset pricing model that measures the expected return for a security (or portfolio of securities) as the sum of a Risk-Free Rate plus a risk premium. The risk premium is equal to the Systematic Risk (measured by Beta) of the security (or portfolio of securities) multiplied by the risk premium of holding the overall market portfolio. The CAPM is often modified or extended for other risk factors, such as size, country risk, and Company-Specific Risk . See also Build-up Model .		A single factor asset pricing model that measures the expected return for a security (or portfolio of securities) as the sum of a Risk-Free Rate plus a risk premium. The risk premium is equal to the Systematic Risk (measured by Beta) of the security (or portfolio of securities) multiplied by the risk premium of holding the overall market portfolio. The CAPM is often modified or extended for other risk factors, such as size, country risk, and Company-Specific Risk . See also Build-up Model .	A model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.
Capitalization	A conversion of a single period of economic benefits into value.				A conversion of a single period of economic benefits into value.
Capitalization Factor	Any multiple or divisor used to convert anticipated economic benefits of a single period into value.				Any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Capitalization of Benefits Method					<i>A method within the income approach whereby expected future benefits (for example, earnings or cash flow) for a representative single period are converted to value through division by a capitalization rate.</i>
Capitalization of Earnings Method	A method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.	A form of the Capitalization of Economic Income Method .		A form of the Capitalization of Economic Income Method .	A method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.
Capitalization of Economic Income Method		A method within the Income Approach whereby expected Economic Income for a representative single period is converted to value through division by a Capitalization Rate . Also known as the capitalization method or direct capitalization method.		A method within the Income Approach whereby expected Economic Income for a representative single period is converted to value through division by a Capitalization Rate . Also known as the capitalization method or direct capitalization method.	
Capitalization Rate	Any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.	A divisor (usually expressed as a percentage) used to convert into value the expected Economic Income of a normalized single period. The capitalization rate is generally calculated as a Discount Rate less a long-term growth rate.		A divisor (usually expressed as a percentage) used to convert into value the expected Economic Income of a normalized single period. The capitalization rate is generally calculated as a Discount Rate less a long-term growth rate.	Any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.
Capital Structure	The composition of the invested capital of a business enterprise, the mix of debt and equity financing.	The composition of the Invested Capital of a business, including debt and debt equivalents, hybrid securities, non-equity claims, and equity. See also Simple Capital Structure and Complex Capital Structure .		The composition of the Invested Capital of a business, including debt and debt equivalents, hybrid securities, non-equity claims, and equity. See also Simple Capital Structure and Complex Capital Structure .	The composition of the invested capital of a business enterprise, the mix of debt and equity financing.
Cash Flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.	Cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also Net Cash Flow to Equity and Net Cash Flow to Invested Capital .		Cash inflows or outflows that are generated over a period by an asset, business, or investment; often supplemented by a qualifier in the given valuation context (e.g., discretionary or operating). See also Net Cash Flow to Equity and Net Cash Flow to Invested Capital .	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.
Client			The party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Company-Specific Risk		The risk that is unique to a specific investment in a business, in excess of the Equity Risk Premium , size risk, and/or country risk (e.g., significant customer concentration, business dependence on key person(s), or lack of product diversification). Also known as Unsystematic Risk .		The risk that is unique to a specific investment in a business, in excess of the Equity Risk Premium , size risk, and/or country risk (e.g., significant customer concentration, business dependence on key person(s), or lack of product diversification). Also known as Unsystematic Risk .	
Company-Specific Risk Premium		An adjustment to the cost of equity to account for Company-Specific Risk . Also known as alpha.		An adjustment to the cost of equity to account for Company-Specific Risk . Also known as alpha.	
Comparable Profits Method					<i>A method of determining the value of intangible assets by comparing the profits of the subject entity with those of similar uncontrolled companies that have the same or similar complement of intangible assets as the subject company.</i>
Comparable Uncontrolled Transaction Method					<i>A method of determining the value of intangible assets by comparing the subject transaction to similar transactions in the market place made between independent (uncontrolled) parties.</i>
Common Size Statements	Financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.				Financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.
Complex Capital Structure		A Capital Structure that includes debt and equity securities with different economic and control rights. Contrast with Simple Capital Structure .		A Capital Structure that includes debt and equity securities with different economic and control rights. Contrast with Simple Capital Structure .	
Conclusion of Value					<i>An estimate of the value of a business, business ownership interest, security, or intangible asset, arrived at by applying the valuation procedures appropriate for a valuation engagement and using professional judgment as to the value or range of values based on those procedures.</i>

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Confidential Information			Information that is either: <ul style="list-style-type: none"> • Identified by the client as confidential when providing it to an appraiser and that is not available from any other source (See <u>Confidentiality</u> section of the ETHICS RULE); or • Classified as confidential or private by applicable law or regulation (for example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers...). 		
Contributory Asset Charge / Capital or Contributory Asset Charge		An economic charge for Contributory Assets applied in the Multi-Period Excess Earnings Method . See also Contributory Assets, Excess Earnings Method , and Multi-Period Excess Earnings Method .		An economic charge for Contributory Assets applied in the Multi-Period Excess Earnings Method . See also Contributory Assets, Excess Earnings Method , and Multi-Period Excess Earnings Method .	<i>A fair return on an entity's contributory assets, which are tangible and intangible assets used in the production of income or cash flow associated with an intangible asset being valued. In this context, income or cash flow refers to an applicable measure of income or cash flow, such as net income, or operating cash flow before taxes and capital expenditures. A capital charge may be expressed as a percentage return on an economic rent associated with, or a profit split related to, the contributory assets.</i>
Contributory Assets		Assets (e.g., working capital, machinery and equipment, trademarks, assembled workforce) that are used in conjunction with the subject intangible Asset in the realization of prospective cash flows associated with the Intangible Asset being valued. See also Multi-Period Excess Earnings Method and Contributory Asset Charge .		Assets (e.g., working capital, machinery and equipment, trademarks, assembled workforce) that are used in conjunction with the subject intangible Asset in the realization of prospective cash flows associated with the Intangible Asset being valued. See also Multi-Period Excess Earnings Method and Contributory Asset Charge .	
Control	The power to direct the management and policies of a business enterprise.	A level of ownership having sufficient rights (e.g., voting) to direct the management, policies, and disposition of a business.		A level of ownership having sufficient rights (e.g., voting) to direct the management, policies, and disposition of a business.	The power to direct the management and policies of a business enterprise.
Control Adjustment					<i>A valuation adjustment to financial statements to reflect the effect of a controlling interest in a business. An example would be an adjustment to owners' compensation that is in excess of market compensation.</i>

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Control Premium	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise to reflect the power of control.	An amount or percentage by which the pro rata value of a Controlling Interest exceeds the pro rata value of a Noncontrolling Interest in a business, to reflect the anticipated economic benefits of Control . Also known as acquisition premium.		An amount or percentage by which the pro rata value of a Controlling Interest exceeds the pro rata value of a Noncontrolling Interest in a business, to reflect the anticipated economic benefits of Control . Also known as acquisition premium.	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise to reflect the power of control.
Controlling Interest		An ownership interest in a business that conveys the economic benefits of Control to the holder(s) of such interest.		An ownership interest in a business that conveys the economic benefits of Control to the holder(s) of such interest.	
Cost			The actual or estimated amount required to create, reproduce, replace, or obtain a property.		
Cost Approach	A general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.	A general manner of estimating the value of an asset, investment, or (in limited circumstances) a business using one or more methods that reflect the economic principle that a buyer will generally pay no more for an asset than the cost to obtain another asset of equal utility, whether by purchase or by construction. The approach considers the current replacement or reproduction cost and the physical deterioration and all other relevant forms of obsolescence. See also Asset Approach .		A general manner of estimating the value of an asset, investment, or (in limited circumstances) a business using one or more methods that reflect the economic principle that a buyer will generally pay no more for an asset than the cost to obtain another asset of equal utility, whether by purchase or by construction. The approach considers the current replacement or reproduction cost and the physical deterioration and all other relevant forms of obsolescence. See also Asset Approach .	A general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.
Cost of Capital	The expected rate of return that the market requires in order to attract funds to a particular investment.	The expected rate of return that the market requires in order to attract funds to a particular investment considering the risk of the investment. See also Weighted Average Cost of Capital .		The expected rate of return that the market requires in order to attract funds to a particular investment considering the risk of the investment. See also Weighted Average Cost of Capital .	The expected rate of return that the market requires in order to attract funds to a particular investment.
Cost Savings Method		A method within the Income Approach whereby the value of an Intangible Asset is estimated based on an expected future benefit stream of the asset in terms of the future expenses that are avoided (or reduced) by owning the asset.		A method within the Income Approach whereby the value of an Intangible Asset is estimated based on an expected future benefit stream of the asset in terms of the future expenses that are avoided (or reduced) by owning the asset.	
Credible			Worthy of belief. Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Current Value Method		A procedure to allocate the Equity Value to the various equity interests (or Enterprise Value to the various debt and equity interests) in a business as though the business were to be sold on the Valuation Date , without considering the option-like payoffs of the equity interests. Contrast with Probability-Weighted Expected Return Method and Option Pricing Method .		A procedure to allocate the Equity Value to the various equity interests (or Enterprise Value to the various debt and equity interests) in a business as though the business were to be sold on the Valuation Date , without considering the option-like payoffs of the equity interests. Contrast with Probability-Weighted Expected Return Method and Option Pricing Method .	
Debt Equivalents		A debt-like financial obligation or other non-equity claim resulting from the signing of a short- or long-term contract (e.g., operating leases, unfunded pension liabilities, asset retirement obligations, contingent liabilities). See also Capital Structure and Hybrid Securities .		A debt-like financial obligation or other non-equity claim resulting from the signing of a short- or long-term contract (e.g., operating leases, unfunded pension liabilities, asset retirement obligations, contingent liabilities). See also Capital Structure and Hybrid Securities .	
Debt Free	<i>We discourage the use of this term. See Invested Capital.</i>				<i>We discourage the use of this term. See Invested Capital.</i>
Discount for Lack of Control	An amount or percentage deducted from the pro rata share of value of 100 percent of an equity interest in a business to reflect the absence of some or all of the powers of control.	An amount or percentage deducted from the pro rata amount of 100 percent of the entity's Equity Value (when determined on a Controlling Interest basis) to reflect the absence of some or all of the economic benefits of Control .		An amount or percentage deducted from the pro rata amount of 100 percent of the entity's Equity Value (when determined on a Controlling Interest basis) to reflect the absence of some or all of the economic benefits of Control .	An amount or percentage deducted from the pro rata share of value of 100 percent of an equity interest in a business to reflect the absence of some or all of the powers of control.
Discount for Lack of Liquidity		An amount or percentage applied to the value of an ownership interest to reflect a relative lack of Liquidity .		An amount or percentage applied to the value of an ownership interest to reflect a relative lack of Liquidity .	
Discount for Lack of Marketability	An amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.	An amount or percentage applied to the value of an ownership interest to reflect a relative lack of Marketability .		An amount or percentage applied to the value of an ownership interest to reflect a relative lack of Marketability .	An amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.
Discount for Lack of Voting Rights	An amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.	An amount or percentage applied to the per share value of a voting share to reflect an absence of voting rights.		An amount or percentage applied to the per share value of a voting share to reflect an absence of voting rights.	An amount or percentage deducted from the per share value of a minority interest voting share to reflect the absence of voting rights.
Discount Rate	A rate of return used to convert a future monetary sum into present value.	A Rate of Return used to convert Economic Income into present value.		A Rate of Return used to convert Economic Income into present value.	A rate of return used to convert a future monetary sum into present value.
Discounted Cash Flow (DCF) Method	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.	A form of the Discounted Economic Income Method based on Cash Flow .		A form of the Discounted Economic Income Method based on Cash Flow .	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Discounted Economic Income Method		A method within the Income Approach whereby the present value of expected Economic Income is calculated using a Discount Rate .		A method within the Income Approach whereby the present value of expected Economic Income is calculated using a Discount Rate .	
Discounted Future Earnings Method	A method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.				A method within the income approach whereby the present value of future expected economic benefits is calculated using a discount rate.
Distributor Method		A variation of the Multi-Period Excess Earnings Method that relies upon market-based distributor data or other market inputs to value customer relationship Intangible Assets . Sometimes referred to as the disaggregated method.		A variation of the Multi-Period Excess Earnings Method that relies upon market-based distributor data or other market inputs to value customer relationship Intangible Assets . Sometimes referred to as the disaggregated method.	
Economic Benefits	Inflows such as revenues, net income, net cash flows, etc.				Inflows such as revenues, net income, net cash flows, etc.
Economic Income		Monetary inflows or outflows resulting from business activities (e.g., Cash Flows , EBITDA, net income).		Monetary inflows or outflows resulting from business activities (e.g., Cash Flows , EBITDA, net income).	
Economic Life	The period of time over which property may generate economic benefits.				The period of time over which property may generate economic benefits.
Economic Obsolescence		A form of depreciation or loss in value or usefulness of an asset caused by factors external to the asset, especially factors related to changes in demand for products or services produced by the asset. See also Functional Obsolescence and Physical Obsolescence .		A form of depreciation or loss in value or usefulness of an asset caused by factors external to the asset, especially factors related to changes in demand for products or services produced by the asset. See also Functional Obsolescence and Physical Obsolescence .	
Effective Date	See Valuation Date .	See also Valuation Date , Measurement Date , or date of value.	The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value.	See also Valuation Date , Measurement Date , or date of value.	See Valuation Date .
End of Period Discounting		A convention used when discounting Economic Income to present value that reflects such income being generated at the end of each respective period. Contrast with Mid-Period Discounting .		A convention used when discounting Economic Income to present value that reflects such income being generated at the end of each respective period. Contrast with Mid-Period Discounting .	
Engagement to Estimate Value					<i>An engagement, or any part of an engagement (for example, a tax, litigation, or acquisition-related engagement) that involves determining the value of a business, business ownership interest, security, or intangible asset. Also known as valuation service.</i>

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Enterprise	See <i>Business Enterprise</i> .				See <i>Business Enterprise</i> .
Enterprise Value		The Market Value of Invested Capital , typically adjusted to remove all or a portion of cash and cash equivalents, and other Nonoperating Assets . See also Market Value of Invested Capital and Invested Capital .		The Market Value of Invested Capital , typically adjusted to remove all or a portion of cash and cash equivalents, and other Nonoperating Assets . See also Market Value of Invested Capital and Invested Capital .	
Equity	The owner's interest in property after deduction of all liabilities.				The owner's interest in property after deduction of all liabilities.
Equity Instrument		A contract that creates a residual interest in a business' assets after deducting its liabilities.		A contract that creates a residual interest in a business' assets after deducting its liabilities.	
Equity Net Cash Flows	Those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.				Those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and increasing or decreasing debt financing.
Equity Risk Premium	A rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).	The incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium.		The incremental return that investors expect to receive from an investment in public equity securities over that of a risk-free security. It is generally calculated as the difference between the expected rate of return on the overall market and the return on a risk-free instrument. Also known as market risk premium, or equity market risk premium.	A rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate).
Equity Value		The value of a business to its equity holders. Equity value is generally calculated as the Market Value of Invested Capital less the market value of any debt and Debt Equivalents, Hybrid Securities , and other non-equity claims.		The value of a business to its equity holders. Equity value is generally calculated as the Market Value of Invested Capital less the market value of any debt and Debt Equivalents, Hybrid Securities , and other non-equity claims.	
ESG		Environmental, social, and governance factors that impact a business or asset and its financial performance and operations (e.g., the impact of sustainability and ethical practices).		Environmental, social, and governance factors that impact a business or asset and its financial performance and operations (e.g., the impact of sustainability and ethical practices).	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Excess Earnings	That amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.	The amount of expected Cash Flow that exceeds the economic charge for the use of the Contributory Assets used to generate such cash flow.		The amount of expected Cash Flow that exceeds the economic charge for the use of the Contributory Assets used to generate such cash flow.	That amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.
Excess Earnings Method	A specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of a) the value of the assets derived by capitalizing excess earnings, and b) the value of the selected asset base. Also frequently used to value intangible assets. See also Excess Earnings .	A method of estimating the value of a business, determined as the sum of (i) the value of the selected Tangible Asset base, and (ii) the value of all of the Intangible Assets (including goodwill) derived by capitalizing Excess Earnings . Sometimes referred to as the capitalized excess earnings method.		A method of estimating the value of a business, determined as the sum of (i) the value of the selected Tangible Asset base, and (ii) the value of all of the Intangible Assets (including goodwill) derived by capitalizing Excess Earnings . Sometimes referred to as the capitalized excess earnings method.	A specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of a) the value of the assets derived by capitalizing excess earnings, and b) the value of the selected asset base. Also frequently used to value intangible assets. See also Excess Earnings .
Excess Operating Assets					<i>Operating assets in excess of those needed for the normal operation of a business.</i>
Expected Cash Flow		The probability-weighted average of the various possible scenarios of a subject business' Cash Flows .		The probability-weighted average of the various possible scenarios of a subject business' Cash Flows .	
Expected Present Value Technique		A present value technique using the Expected Cash Flow of an asset, business, or investment.		A present value technique using the Expected Cash Flow of an asset, business, or investment.	
Exposure Time			An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal (See Advisory Opinion 35, <i>Reasonable Exposure Times in Real and Personal Property Opinions of Value</i>).		
Extraordinary Assumption			An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Fair Market Value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. (NOTE: in Canada, the term "price" should be replaced with the term "highest price.")	A Standard of Value considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also Market Value .		A Standard of Value considered to represent the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, each acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or to sell and when both have reasonable knowledge of relevant facts. See also Market Value .	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. (NOTE: in Canada, the term "price" should be replaced with the term "highest price.")
Fair Value / Fair Value		A Standard of Value for which there are different definitions, depending on the context and purpose. Fair value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.		A Standard of Value for which there are different definitions, depending on the context and purpose. Fair value is typically defined or imposed by a third party (e.g., by law, regulation, contract, or financial reporting standard-setting bodies). The most commonly used definition for financial reporting purposes is under IFRS and US GAAP, which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	<i>In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Source: Financial Accounting Standards Board Accounting Standards Codification glossary. (2) For state legal matters only, some states have laws that use the term fair value in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in the particular jurisdiction.</i>
Fairness Opinion	An opinion as to whether or not the consideration in a transaction is fair from a financial point of view.	An opinion as to whether the consideration proposed to be paid or received in a transaction is fair from a financial point of view to the party paying or receiving such consideration.		An opinion as to whether the consideration proposed to be paid or received in a transaction is fair from a financial point of view to the party paying or receiving such consideration.	An opinion as to whether or not the consideration in a transaction is fair from a financial point of view.
Feasibility Analysis			A study of the cost-benefit relationship of an economic endeavor.		
Financial Risk	The degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See Business Risk .				The degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See Business Risk .
Forced Liquidation Value	Liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.	A form of Liquidation Value in which an asset or assets are presumed to be sold with less than a reasonable period of market exposure. Contrast with Orderly Liquidation Value .		A form of Liquidation Value in which an asset or assets are presumed to be sold with less than a reasonable period of market exposure. Contrast with Orderly Liquidation Value .	Liquidation value, at which the asset or assets are sold as quickly as possible, such as at an auction.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Free Cash Flow	<i>We discourage the use of this term.</i> See Net Cash Flow .				<i>We discourage the use of this term.</i> See Net Cash Flow .
Functional Obsolescence		A form of depreciation in which the loss in value or usefulness of an asset is caused by inefficiencies or inadequacies of the asset itself, when compared to a more efficient or less costly newly developed asset. See also Economic Obsolescence, Physical Obsolescence, Replacement Cost Method, and Replacement Cost New.		A form of depreciation in which the loss in value or usefulness of an asset is caused by inefficiencies or inadequacies of the asset itself, when compared to a more efficient or less costly newly developed asset. See also Economic Obsolescence, Physical Obsolescence, Replacement Cost Method, and Replacement Cost New.	
Going Concern	An ongoing operating business enterprise.	An ongoing operating business enterprise.		An ongoing operating business enterprise.	An ongoing operating business enterprise.
Going Concern Value	The value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems and procedures in place.	A Premise of Value that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power.		A Premise of Value that assumes the business is an ongoing commercial enterprise with a reasonable expectation of future earning power.	The value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems and procedures in place.
Goodwill	That intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.	An Intangible Asset which represents any future economic benefit arising from a business or a group of assets which is not individually identified or separately recognized. Goodwill can arise as a result of name, reputation, customer loyalty, location, products and similar factors not separately identified. In the context of a business combination, goodwill is measured as the difference between (A) the aggregate of (i) the value of the consideration transferred (generally at Fair Value), (ii) the amount of any noncontrolling interest, and (iii) in a business combination achieved in stages, the acquisition-date Fair Value of the acquirer's previously held equity interest in the acquiree, and (B) the net of the acquisition-date amounts of the Identifiable Assets acquired and the liabilities as assumed.		An Intangible Asset which represents any future economic benefit arising from a business or a group of assets which is not individually identified or separately recognized. Goodwill can arise as a result of name, reputation, customer loyalty, location, products and similar factors not separately identified. In the context of a business combination, goodwill is measured as the difference between (A) the aggregate of (i) the value of the consideration transferred (generally at Fair Value), (ii) the amount of any noncontrolling interest, and (iii) in a business combination achieved in stages, the acquisition-date Fair Value of the acquirer's previously held equity interest in the acquiree, and (B) the net of the acquisition-date amounts of the Identifiable Assets acquired and the liabilities as assumed.	That intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.
Goodwill Value	The value attributable to goodwill.				The value attributable to goodwill.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Greenfield Method		A method used to estimate the value of certain Intangible Assets (e.g., franchise agreements or broadcast spectrum) based on the discounted cash flows of a hypothetical start-up business. The Greenfield Method assumes that the subject asset is the only asset of the business at the Valuation Date and that investments are made during the start-up period to purchase, build, or rent the other assets required to assemble the business. See also Contributory Assets, Excess Earnings Method, and Multi-Period Excess Earnings Method.		A method used to estimate the value of certain Intangible Assets (e.g., franchise agreements or broadcast spectrum) based on the discounted cash flows of a hypothetical start-up business. The Greenfield Method assumes that the subject asset is the only asset of the business at the Valuation Date and that investments are made during the start-up period to purchase, build, or rent the other assets required to assemble the business. See also Contributory Assets, Excess Earnings Method, and Multi-Period Excess Earnings Method.	
Guideline Public Company Method	A method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.	A method within the Market Approach whereby the value of a business is estimated by application of Multiples derived from market prices of securities of publicly traded companies that are engaged in the same or similar lines of business as the subject business.		A method within the Market Approach whereby the value of a business is estimated by application of Multiples derived from market prices of securities of publicly traded companies that are engaged in the same or similar lines of business as the subject business.	A method within the market approach whereby market multiples are derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market.
Guideline Transaction Method / Guideline Company Transactions Method		A method within the Market Approach whereby the value of a business is estimated by application of Multiples derived from one or more transactions of Controlling Interests in companies engaged in the same or similar lines of business as the subject business. Sometimes known as guideline merger and acquisition method.		A method within the Market Approach whereby the value of a business is estimated by application of Multiples derived from one or more transactions of Controlling Interests in companies engaged in the same or similar lines of business as the subject business. Sometimes known as guideline merger and acquisition method.	<i>A method within the market approach whereby market multiples are derived from the sales of entire companies engaged in the same or similar lines of business.</i>
Hybrid Securities		A component of a company's Capital Structure that cannot be classified purely as debt or equity, as it may have characteristics of both (e.g., convertible debt, convertible preferred stock, employee stock options).		A component of a company's Capital Structure that cannot be classified purely as debt or equity, as it may have characteristics of both (e.g., convertible debt, convertible preferred stock, employee stock options).	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Hypothetical Condition / Hypothetical Condition			A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.		<i>That which is or may be contrary to what exists, but is supposed for the purpose of analysis.</i>
Identifiable Intangible Asset		In a financial reporting context, an Intangible Asset is identifiable if it meets certain contractual and/or separability criteria as defined by a relevant standard (e.g., IFRS 3 or ASC 805).		In a financial reporting context, an Intangible Asset is identifiable if it meets certain contractual and/or separability criteria as defined by a relevant standard (e.g., IFRS 3 or ASC 805).	
Income (Income-Based) Approach	A general way of determining a value indication of a business, business ownership interest, security or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.	A general manner of estimating the value of an asset, business, or investment using one or more methods that convert expected Economic Income into a present amount.		A general manner of estimating the value of an asset, business, or investment using one or more methods that convert expected Economic Income into a present amount.	A general way of determining a value indication of a business, business ownership interest, security or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.
Incremental Income					<i>Additional income or cash flow attributable to an entity's ownership or operation of an intangible asset being valued, as determined by a comparison of the entity's income or cash flow with the intangible asset to the entity's income or cash flow without the intangible asset. In this context, income or cash flow refers to an applicable measure of income or cash flow, such as license royalty income or operating cash flow before taxes and capital expenditures.</i>
Intangible Assets / Intangible Property	Non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.	An asset that lacks physical substance and derives value from the economic properties that grant rights and/or Economic Income to its owner (e.g., patents, copyrights, trademarks, or customer relationships). See also Identifiable Intangible Asset .	Nonphysical assets, including but not limited to: franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.	An asset that lacks physical substance and derives value from the economic properties that grant rights and/or Economic Income to its owner (e.g., patents, copyrights, trademarks, or customer relationships). See also Identifiable Intangible Asset .	Non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts (as distinguished from physical assets) that grant rights and privileges and have value for the owner.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Intellectual Property		A legal concept that refers to creations of the mind that are derived from intellectual or creative effort for which exclusive or fractional rights are recognized (e.g., trademarks, trade names, trade secrets, patents, copyright, design rights, and proprietary information). Intellectual property rights generally give the owner the right to prohibit others from using the property without permission.		A legal concept that refers to creations of the mind that are derived from intellectual or creative effort for which exclusive or fractional rights are recognized (e.g., trademarks, trade names, trade secrets, patents, copyright, design rights, and proprietary information). Intellectual property rights generally give the owner the right to prohibit others from using the property without permission.	
Intended Use			The use(s) of appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment (See Advisory Opinion 36, <i>Identification and Disclosure of Client, Intended Use, and Intended Users</i> [AO-36]).		
Intended User			The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment (AO-36).		
Internal Rate of Return	A discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.	The Discount Rate which equates the present value of expected net cash flows to the initial investment (cost).		The Discount Rate which equates the present value of expected net cash flows to the initial investment (cost).	A discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.
Intrinsic Value	The value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price or strike price of an option and the market value of the underlying security.	The value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the Market Value when other investors reach the same conclusion. When the term applies to options, Intrinsic Value is the difference between the exercise (strike) price of an option and the market price of the underlying security.		The value that an investor considers, on the basis of available facts, to be the "true," "real," or fundamental value that will become the Market Value when other investors reach the same conclusion. When the term applies to options, Intrinsic Value is the difference between the exercise (strike) price of an option and the market price of the underlying security.	The value that an investor considers, on the basis of an evaluation or available facts, to be the "true" or "real" value that will become the market value when other investors reach the same conclusion. When the term applies to options, it is the difference between the exercise price and strike price of an option and the market value of the underlying security.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Invested Capital	The sum of equity and debt in a business enterprise. Debt is typically a) all interest-bearing debt or b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.	The sum of a business' equity, debt and Debt Equivalents, Hybrid Securities , and other non-equity claims. See also Enterprise Value and Market Value of Invested Capital .		The sum of a business' equity, debt and Debt Equivalents, Hybrid Securities , and other non-equity claims. See also Enterprise Value and Market Value of Invested Capital .	The sum of equity and debt in a business enterprise. Debt is typically a) all interest-bearing debt or b) long-term interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.
Invested Capital Net Cash Flows	Those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.				Those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.
Investment Risk	The degree of uncertainty as to the realization of expected returns.	The uncertainty of realizing Economic Income as expected (with respect to amount and/or timing).		The uncertainty of realizing Economic Income as expected (with respect to amount and/or timing).	The degree of uncertainty as to the realization of expected returns.
Investment Value	The value to a particular investor based on individual investment requirements and expectations. (NOTE: in Canada, the term used is "Value to the Owner.")	A Standard of Value considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.		A Standard of Value considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives. Also known as value to the owner.	The value to a particular investor based on individual investment requirements and expectations. (NOTE: in Canada, the term used is "Value to the Owner.")
Jurisdictional Exception			An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.		
Key Person Discount	An amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.	An amount or percentage deducted from the value of an operating business to reflect the reduction in value resulting from the actual or potential loss of a key person upon which the business is highly dependent.		An amount or percentage deducted from the value of an operating business to reflect the reduction in value resulting from the actual or potential loss of a key person upon which the business is highly dependent.	An amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.
Levered Beta	The beta reflecting a capital structure that includes debt.	A measure of Beta reflecting a Capital Structure that includes debt. Also known as equity beta. Contrast with Unlevered Beta .		A measure of Beta reflecting a Capital Structure that includes debt. Also known as equity beta. Contrast with Unlevered Beta .	The beta reflecting a capital structure that includes debt.
Limited Appraisal	The act or process of determining the value of a business, business ownership interest, security or intangible asset with limitations in analyses, procedures or scope.				The act or process of determining the value of a business, business ownership interest, security or intangible asset with limitations in analyses, procedures or scope.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Liquidation Value	The net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."	The amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also Orderly Liquidation Value and Forced Liquidation Value .		The amount, net of relevant costs (e.g., preparation and disposal), that would be realized if the business is terminated, and the assets are sold. See also Orderly Liquidation Value and Forced Liquidation Value .	The net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."
Liquidity	The ability to quickly convert property to cash or pay a liability.	The ability to quickly or readily convert an asset, business, or investment to cash at minimal cost. See also Marketability .		The ability to quickly or readily convert an asset, business, or investment to cash at minimal cost. See also Marketability .	The ability to quickly convert property to cash or pay a liability.
Majority Control	The degree of control provided by a majority position.				The degree of control provided by a majority position.
Majority Interest	An ownership interest greater than 50 percent of the voting interest in a business enterprise.				An ownership interest greater than 50 percent of the voting interest in a business enterprise.
Market (Market-Based) Approach	A general way of determining a value indication of a business, business ownership interest, security or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities or intangible assets that have been sold.	A general manner of estimating a value of an asset, business, or investment by using one or more Valuation Methods that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.		A general manner of estimating a value of an asset, business, or investment by using one or more Valuation Methods that compare the valuation subject to other assets, businesses, or investments that have been sold or for which price and other information is available.	A general way of determining a value indication of a business, business ownership interest, security or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities or intangible assets that have been sold.
Market Capitalization		The sum, at market values, of a business' Market Capitalization of Equity and interest-bearing debt.		The sum, at market values, of a business' Market Capitalization of Equity and interest-bearing debt.	
Market Capitalization of Equity	The share price of a publicly traded stock multiplied by the number of shares outstanding.	The aggregate Equity Value of a publicly-traded company, calculated as the product of its market price and the number of equity securities outstanding.		The aggregate Equity Value of a publicly-traded company, calculated as the product of its market price and the number of equity securities outstanding.	The share price of a publicly traded stock multiplied by the number of shares outstanding.
Market Capitalization of Invested Capital / Market Value of Invested Capital	The market capitalization of equity plus the market value of the debt component of invested capital.	The sum, at market value, of a business' equity, debt and Debt Equivalents, Hybrid Securities, and non-equity claims.		The sum, at market value, of a business' equity, debt and Debt Equivalents, Hybrid Securities, and non-equity claims.	The market capitalization of equity plus the market value of the debt component of invested capital.
Market Multiple	The market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).				The market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Market Value		A Standard of Value considered to represent the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also Fair Market Value .	A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal (See <u>General Comment on Market Value Definitions</u> in Advisory Opinion 22, <i>Scope of Work in Market Value Appraisal Assignments for Real Property</i>). Comment: Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.	A Standard of Value considered to represent the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had each acted knowledgeably, prudently, and without compulsion. See also Fair Market Value .	
Marketability	The ability to quickly convert property to cash at minimal cost.	The ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also Liquidity .		The ability to quickly or readily convert an asset, business, or investment to cash at minimal cost that reflects the capability and ease of transfer or salability of that property. Marketability is affected by, among other things, the particular market in which the asset is expected to transact and the characteristics of the asset. See also Liquidity .	The ability to quickly convert property to cash at minimal cost.
Marketability Discount	See Discount for Lack of Marketability .				See Discount for Lack of Marketability .
Mass Appraisal			The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.		
Mass Appraisal Model			A mathematical expression of how supply and demand factors interact in a market.		
Measurement Date		Also known as Valuation Date , Effective Date , or date of value.		Also known as Valuation Date , Effective Date , or date of value.	
Merger and Acquisition (M&A) Method	A method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.				A method within the market approach whereby pricing multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Mid-Year Discounting / Mid-Period Discounting	A convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.	A convention used in the Discounted Economic Income Method that reflects economic income being generated at a mid-period, approximating the effect of Economic Income being generated throughout the period. Contrast with End of Period Discounting .		A convention used in the Discounted Economic Income Method that reflects economic income being generated at a mid-period, approximating the effect of Economic Income being generated throughout the period. Contrast with End of Period Discounting .	A convention used in the Discounted Future Earnings Method that reflects economic benefits being generated at midyear, approximating the effect of economic benefits being generated evenly throughout the year.
Minority Discount	A discount for lack of control applicable to a minority interest.				A discount for lack of control applicable to a minority interest.
Minority Interest	An ownership interest less than 50 percent of the voting interest in a business enterprise.				An ownership interest less than 50 percent of the voting interest in a business enterprise.
Misleading			Intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.		
Monte Carlo Method		A statistical technique that samples randomly from a probability-distribution in order to produce different possible outcomes that simulate the various sources of uncertainty that affect the value of a subject asset, business, or investment.		A statistical technique that samples randomly from a probability-distribution in order to produce different possible outcomes that simulate the various sources of uncertainty that affect the value of a subject asset, business, or investment.	
Multi-Period Excess Earnings Method		A method of estimating the value of the primary income-generating intangible asset within a group of assets, by calculating the Cash Flow attributable to that asset after deducting Contributory Asset Charges . See also Excess Earnings Method .		A method of estimating the value of the primary income-generating intangible asset within a group of assets, by calculating the Cash Flow attributable to that asset after deducting Contributory Asset Charges . See also Excess Earnings Method .	
Multiple	The inverse of the capitalization rate.	A ratio calculated as the value of a business or security divided by Economic Income or a non-financial metric. Also known as market multiple, pricing multiple, or valuation ratio.		A ratio calculated as the value of a business or security divided by Economic Income or a non-financial metric. Also known as market multiple, pricing multiple, or valuation ratio.	The inverse of the capitalization rate.
Net Asset Value		The difference between a business' total assets and liabilities restated at a particular Standard of Value rather than accounting book values.		The difference between a business' total assets and liabilities restated at a particular Standard of Value rather than accounting book values.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Net Book Value	With respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.	The difference between a business' total assets and liabilities at accounting book values (synonymous with book equity). With respect to a specific asset, this is the original capitalized cost less accumulated amortization, depreciation, depletion, allowances or impairment.		The difference between a business' total assets and liabilities at accounting book values (synonymous with book equity). With respect to a specific asset, this is the original capitalized cost less accumulated amortization, depreciation, depletion, allowances or impairment.	With respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities as they appear on the balance sheet (synonymous with Shareholder's Equity). With respect to a specific asset, the capitalized cost less accumulated amortization or depreciation as it appears on the books of account of the business enterprise.
Net Cash Flows	When the term is used, it should be supplemented by a qualifier. See Equity Net Cash Flows and Invested Capital Net Cash Flows .				When the term is used, it should be supplemented by a qualifier. See Equity Net Cash Flows and Invested Capital Net Cash Flows .
Net Cash Flow to Equity		Cash Flow available to equity holders after funding business operations, paying taxes, making necessary capital investments, and servicing debt and Debt Equivalents, Hybrid Securities, and non-equity claims. See also Net Cash Flow to Invested Capital . Sometimes referred to as free cash flow to equity.		Cash Flow available to equity holders after funding business operations, paying taxes, making necessary capital investments, and servicing debt and Debt Equivalents, Hybrid Securities, and non-equity claims. See also Net Cash Flow to Invested Capital . Sometimes referred to as free cash flow to equity.	
Net Cash Flow to Invested Capital		Cash Flow available to all security holders after funding business operations, paying taxes, and making necessary capital investments. See also Net Cash Flow to Equity . Sometimes referred to as free cash flow to invested capital or free cash flow to the firm.		Cash Flow available to all security holders after funding business operations, paying taxes, and making necessary capital investments. See also Net Cash Flow to Equity . Sometimes referred to as free cash flow to invested capital or free cash flow to the firm.	
Net Present Value	The value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.	The value, as of a specified date, of future cash inflows less cash outflows (including the cost of initial investment) calculated using a Discount Rate .		The value, as of a specified date, of future cash inflows less cash outflows (including the cost of initial investment) calculated using a Discount Rate .	The value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.
Net Tangible Asset Value	The value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities.				The value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities.
Nominal Cash Flows		Cash Flows that include the effects of inflation. Contrast with Real Cash Flows .		Cash Flows that include the effects of inflation. Contrast with Real Cash Flows .	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Nominal Rate of Return		A Rate of Return that includes the effect of inflation. Contrast with Real Rate of Return .		A Rate of Return that includes the effect of inflation. Contrast with Real Rate of Return .	
Noncontrolling Interest		An ownership interest that lacks Control of the business. Also known as minority interest or minority shareholding.		An ownership interest that lacks Control of the business. Also known as minority interest or minority shareholding.	
Nonoperating Assets	Assets not necessary to ongoing operations of the business enterprise. (NOTE: in Canada, the term used is "Redundant Assets.")	Assets (or liabilities) not necessary to support the ongoing operations of a business. Sometimes referred to as redundant or surplus assets.		Assets (or liabilities) not necessary to support the ongoing operations of a business. Sometimes referred to as redundant or surplus assets.	Assets not necessary to ongoing operations of the business enterprise. (NOTE: in Canada, the term used is "Redundant Assets.")
Normalization					<i>See Normalized Earnings in appendix B, "International Glossary of Business Valuation Terms." (See paragraph .81)</i>
Normalized Earnings	Economic benefits adjusted for nonrecurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.	Economic Income adjusted for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.		Economic Income adjusted for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.	Economic benefits adjusted for nonrecurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.
Normalizing Adjustments		Adjustments to a business' financial statements for Nonoperating Assets and liabilities, and/or for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.		Adjustments to a business' financial statements for Nonoperating Assets and liabilities, and/or for extraordinary, nonrecurring, noneconomic, or other unusual items in order to eliminate anomalies and facilitate comparisons.	
Normalized Financial Statements	Financial statements adjusted for non-operating assets and liabilities and/or for non-recurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.				Financial statements adjusted for non-operating assets and liabilities and/or for non-recurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons.
Option Pricing Method		A forward-looking technique used to allocate value between various equity classes with different economic rights, assuming various future outcomes. The option pricing method considers the current Equity Value and then allocates that value to the various equity classes considering a continuous distribution of outcomes, rather than focusing on distinct future scenarios.		A forward-looking technique used to allocate value between various equity classes with different economic rights, assuming various future outcomes. The option pricing method considers the current Equity Value and then allocates that value to the various equity classes considering a continuous distribution of outcomes, rather than focusing on distinct future scenarios.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Orderly Liquidation Value	Liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.	A form of Liquidation Value in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with Forced Liquidation Value .		A form of Liquidation Value in which the asset or assets are presumed to be sold over a reasonable period of market exposure to maximize expected return. Contrast with Forced Liquidation Value .	Liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.
Personal Inspection			A physical observation performed to assist in identifying relevant property characteristics in a valuation service. Comment: An appraiser's inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An inspection by an appraiser is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, art conservator) (See Advisory Opinion 2, <i>Inspection of Subject Property</i>).		
Personal Property			Any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being "personal," such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.		
Physical Characteristics			Attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Physical Obsolescence		A form of depreciation where the loss in value or usefulness of an asset is due to the decrease or expiry in its life from wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. See also Economic Obsolescence , and Functional Obsolescence .		A form of depreciation where the loss in value or usefulness of an asset is due to the decrease or expiry in its life from wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors. See also Economic Obsolescence , and Functional Obsolescence .	
Portfolio		An assemblage of various assets, investments, or liabilities.		An assemblage of various assets, investments, or liabilities.	
Portfolio Discount	An amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.	An amount or percentage deducted from the value of a business to reflect its ownership of dissimilar operations or assets in a combination that might not be attractive to a potential buyer. Also known as conglomerate discount.		An amount or percentage deducted from the value of a business to reflect its ownership of dissimilar operations or assets in a combination that might not be attractive to a potential buyer. Also known as conglomerate discount.	An amount or percentage deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that do not fit well together.
Post-Money Value		A business' implied aggregate value immediately following its most recent round of financing. Contrast with Pre-Money Value .		A business' implied aggregate value immediately following its most recent round of financing. Contrast with Pre-Money Value .	
Pre-adjustment Value					<i>The value arrived at prior to the application, if appropriate, of valuation discounts or premiums.</i>
Premise of Value	An assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation (e.g., going concern, liquidation).	An assumption regarding the circumstances that may be applicable to the subject valuation. See also Going Concern Value and Liquidation Value .		An assumption regarding the circumstances that may be applicable to the subject valuation. See also Going Concern Value and Liquidation Value .	An assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation (e.g., going concern, liquidation).
Pre-Money Value		A business' implied aggregate value immediately preceding its most recent round of financing. Contrast with Post-Money Value .		A business' implied aggregate value immediately preceding its most recent round of financing. Contrast with Post-Money Value .	
Present Value	The value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.	The value, as of a specified date, of expected Economic Income , calculated using a Discount Rate . See also Net Present Value .		The value, as of a specified date, of expected Economic Income , calculated using a Discount Rate . See also Net Present Value .	The value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Price		The monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.	The amount asked, offered, or paid for a property. Comment: Once stated, <i>price</i> is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the <i>value</i> that might be ascribed to that property by others.	The monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.	
Price/Earnings Multiple	The price of a share of stock divided by its earnings per share.				The price of a share of stock divided by its earnings per share.
Prior Transaction Method		A method within the Market Approach that uses previous transactions involving the subject business as an indicator of value. Also known as subject company transaction method or recent transaction method.		A method within the Market Approach that uses previous transactions involving the subject business as an indicator of value. Also known as subject company transaction method or recent transaction method.	
Probability-Weighted Expected Return Method (PWERM)		A scenario-based technique used to estimate the value of an equity interest based on the probability-weighted present value of various discrete future outcomes for the business (i.e., initial public offering, sale, dissolution, or continued operation until a later exit date).		A scenario-based technique used to estimate the value of an equity interest based on the probability-weighted present value of various discrete future outcomes for the business (i.e., initial public offering, sale, dissolution, or continued operation until a later exit date).	
Profit Split Income					<i>With respect to the valuation of an intangible asset of an entity, a percentage allocation of the entity's income or cash flow whereby (1) a split (or percentage) is allocated to the subject intangible and (2) the remainder is allocated to all of the entity's tangible and other intangible assets. In this context, income or cash flow refers to an applicable measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.</i>
Purchase Price Allocation		A term commonly used to describe the process of allocating the price paid in a business combination among the assets acquired and liabilities assumed of the target business, using a variety of methods.		A term commonly used to describe the process of allocating the price paid in a business combination among the assets acquired and liabilities assumed of the target business, using a variety of methods.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Rate of Return	An amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.	An amount, expressed as a percentage of the amount of the investment, of anticipated or realized Economic Income and/or change in value of an investment.		An amount, expressed as a percentage of the amount of the investment, of anticipated or realized Economic Income and/or change in value of an investment.	An amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.
Real Cash Flows		Cash Flows that exclude the effect of inflation over time. Contrast with Nominal Cash Flows .		Cash Flows that exclude the effect of inflation over time. Contrast with Nominal Cash Flows .	
Real Estate			An identified parcel or tract of land, including improvements, if any.		
Real Property			The interests, benefits, and rights inherent in the ownership of real estate.		
Real Rate of Return		A Rate of Return that does not include the effect of inflation. Contrast with Nominal Rate of Return .		A Rate of Return that does not include the effect of inflation. Contrast with Nominal Rate of Return .	
Redundant Assets	See Non-Operating Assets .				See Non-Operating Assets .
Relevant Characteristics			Features that may affect a property's value or marketability such as legal, economic, or physical characteristics.		
Relief from Royalty Method / Relief from Royalty Method		A method that estimates the value of an Intangible Asset by reference to the present value of the hypothetical royalty payments that are avoided by owning the asset as compared with licensing it from a third party. Also known as royalty savings method. See also Royalty .		A method that estimates the value of an Intangible Asset by reference to the present value of the hypothetical royalty payments that are avoided by owning the asset as compared with licensing it from a third party. Also known as royalty savings method. See also Royalty .	<i>A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market-derived royalty payments that the owner of the intangible asset is exempted from or "relieved" from paying.</i>
Replacement Cost Method		A method under the Cost Approach that estimates the value of an asset by calculating the cost, as of the Valuation Date , to recreate the functionality or utility of a similar asset. See also Cost Approach , and Replacement Cost New .		A method under the Cost Approach that estimates the value of an asset by calculating the cost, as of the Valuation Date , to recreate the functionality or utility of a similar asset. See also Cost Approach , and Replacement Cost New .	
Replacement Cost New	The current cost of a similar new property having the nearest equivalent utility to the property being valued.	The cost, as of the Valuation Date , of an identical new asset or a new asset having the equivalent utility to the subject asset. Also known as reproduction cost new.		The cost, as of the Valuation Date , of an identical new asset or a new asset having the equivalent utility to the subject asset. Also known as reproduction cost new.	The current cost of a similar new property having the nearest equivalent utility to the property being valued.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Report			Any communication, written or oral, of a appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.		
Report Date	The date conclusions are transmitted to the client.	The date of issuance of a Valuation report. Contrast with Valuation Date .		The date of issuance of a Valuation report. Contrast with Valuation Date .	The date conclusions are transmitted to the client.
Reproduction Cost New	The current cost of an identical new property.				The current cost of an identical new property.
Required Rate of Return	The minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.	The minimum Rate of Return acceptable by investors before they will commit money to an investment, given its level of risk.		The minimum Rate of Return acceptable by investors before they will commit money to an investment, given its level of risk.	The minimum rate of return acceptable by investors before they will commit money to an investment at a given level of risk.
Residual Income					<i>For an entity that owns or operates an intangible asset being valued, the portion of the entity's income or cash flow remaining after subtracting a capital charge on all of the entity's tangible and other intangible assets. Income or cash flows can refer to any appropriate measure of income or cash flow, such as net income or operating cash flow before taxes and capital expenditures.</i>
Residual Value	The value as of the end of the discrete projection period in a discounted future earnings model.				The value as of the end of the discrete projection period in a discounted future earnings model.
Return on Equity	The amount, expressed as a percentage, earned on a company's common equity for a given period.				The amount, expressed as a percentage, earned on a company's common equity for a given period.
Return on Investment	See Return on Invested Capital and Return on Equity .				See Return on Invested Capital and Return on Equity .
Return on Invested Capital	The amount, expressed as a percentage, earned on a company's total capital for a given period.				The amount, expressed as a percentage, earned on a company's total capital for a given period.
Risk-Free Rate	The rate of return available in the market on an investment free of default risk.	A Rate of Return available in the market on an investment perceived as free of default risk.		A Rate of Return available in the market on an investment perceived as free of default risk.	The rate of return available in the market on an investment free of default risk.
Risk Premium	A rate of return added to a risk-free rate to reflect risk.	A Rate of Return added to a base rate (e.g., a Risk-Free Rate) to reflect the incremental risk of an asset, business, or investment (e.g., Equity Risk Premium, Unsystematic Risk premium, country risk premium, or size premium).		A Rate of Return added to a base rate (e.g., a Risk-Free Rate) to reflect the incremental risk of an asset, business, or investment (e.g., Equity Risk Premium, Unsystematic Risk premium, country risk premium, or size premium).	A rate of return added to a risk-free rate to reflect risk.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Royalty		A payment (hypothetical or actual) made for the use of an asset, especially an Intangible Asset or a natural resource. See also relief from Royalty Method .		A payment (hypothetical or actual) made for the use of an asset, especially an Intangible Asset or a natural resource. See also relief from Royalty Method .	
Rule of Thumb	A mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay or a combination of these; usually industry specific.				A mathematical formula developed from the relationship between price and certain variables based on experience, observation, hearsay or a combination of these; usually industry specific.
Salvage Value		The value of an asset at the end of its economic life given the purpose for which the asset was created. The asset may still have value for an alternative use or for recycling.		The value of an asset at the end of its economic life given the purpose for which the asset was created. The asset may still have value for an alternative use or for recycling.	
Scenario Analysis		The technique of modelling multiple scenarios of possible future Economic Income to derive expected value. See also Monte Carlo Method, Option Pricing Method, and Probability-Weighted Expected Return Method (PWERM) .		The technique of modelling multiple scenarios of possible future Economic Income to derive expected value. See also Monte Carlo Method, Option Pricing Method, and Probability-Weighted Expected Return Method (PWERM) .	
Scope of Work			The type and extent of research and analyses in an appraisal or appraisal review assignment (See SCOPE OF WORK RULE).		
Security					<i>A certificate evidencing ownership or the rights to ownership in a business enterprise that (1) is represented by an instrument or by a book record or contractual agreement; (2) is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment; and (3) either one of a class or series or, by its terms, is divisible into a class or series of shares, participations, interests, rights, or interest-bearing obligations.</i>
Signature			Personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Simple Capital Structure		A Capital Structure that includes a single equity class and may include debt or debt-like preferred securities. Contrast with Complex Capital Structure .		A Capital Structure that includes a single equity class and may include debt or debt-like preferred securities. Contrast with Complex Capital Structure .	
Special Interest Purchasers	Acquirers who believe they can enjoy post-acquisition economies of scale, synergies or strategic advantages by combining the acquired business interest with their own.				Acquirers who believe they can enjoy post-acquisition economies of scale, synergies or strategic advantages by combining the acquired business interest with their own.
Standalone Value		The value of an asset, business, or investment estimated without considerations of potential Synergies .		The value of an asset, business, or investment estimated without considerations of potential Synergies .	
Standard of Value	The identification of the type of value being used in a specific engagement (e.g., fair market value, fair value, investment value).	The definition of value used in a valuation (e.g., Fair Market Value, Market Value, Fair Value, or Investment Value). The Standard of Value affects the methods, inputs, and assumptions used by the business valuation professional. Also known as Basis of Value .		The definition of value used in a valuation (e.g., Fair Market Value, Market Value, Fair Value, or Investment Value). The Standard of Value affects the methods, inputs, and assumptions used by the business valuation professional. Also known as Basis of Value .	The identification of the type of value being used in a specific engagement (e.g., fair market value, fair value, investment value).
Subject Interest					<i>A business, business ownership interest, security, or intangible asset that is the subject of a valuation engagement.</i>
Subsequent Event					<i>An event that occurs subsequent to the valuation date.</i>
Sustaining Capital Reinvestment	The periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.				The periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.
Synergies		The concept that the performance and value of two assets or businesses combined will be greater than the sum of the separate individual parts, resulting from the expectation of economies of scale or post-acquisition benefits.		The concept that the performance and value of two assets or businesses combined will be greater than the sum of the separate individual parts, resulting from the expectation of economies of scale or post-acquisition benefits.	
Synergistic Value		The expected value resulting from a combination of two or more assets or businesses, which is greater than the sum of the separate individual parts.		The expected value resulting from a combination of two or more assets or businesses, which is greater than the sum of the separate individual parts.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Systematic Risk	The risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.	Risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with Unsystematic Risk . See also Beta .		Risk that is common to all risky securities and cannot be eliminated through diversification. Also known as market risk and non-diversifiable risk. Contrast with Unsystematic Risk . See also Beta .	The risk that is common to all risky securities and cannot be eliminated through diversification. The measure of systematic risk in stocks is the beta coefficient.
Tangible Assets	Physical assets (such as: cash, accounts receivable, inventory, property, plant and equipment, etc.).	An asset that has physical form and derives value from its physical properties or tangible nature (e.g., real estate, property, plant, equipment). Contrast with Intangible Asset .		An asset that has physical form and derives value from its physical properties or tangible nature (e.g., real estate, property, plant, equipment). Contrast with Intangible Asset .	Physical assets (such as: cash, accounts receivable, inventory, property, plant and equipment, etc.).
Tax Amortization Benefit		The present value of income tax savings resulting from the tax deduction generated by the amortization of an Intangible Asset .		The present value of income tax savings resulting from the tax deduction generated by the amortization of an Intangible Asset .	
Tax Depreciation Benefit		The present value of income tax savings resulting from the tax deduction generated by the depreciation of a Tangible Asset .		The present value of income tax savings resulting from the tax deduction generated by the depreciation of a Tangible Asset .	
Terminal Value	See Residual Value .	An estimate of the value of Economic Income of a business beyond the discrete forecast period in the Discounted Economic Income Method . Also known as residual value or continuing value.		An estimate of the value of Economic Income of a business beyond the discrete forecast period in the Discounted Economic Income Method . Also known as residual value or continuing value.	See Residual Value .
Transaction Method	See Merger and Acquisition Method .				See Merger and Acquisition Method .
Unlevered Beta	The beta reflecting a capital structure without debt.	A measure of Beta reflecting a capital structure without debt. Also known as asset beta. Contrast with Levered Beta .		A measure of Beta reflecting a capital structure without debt. Also known as asset beta. Contrast with Levered Beta .	The beta reflecting a capital structure without debt.
Unlevered Cost of Capital		The expected Rate of Return that the market requires in order to attract funds to a particular investment, assuming an unlevered Capital Structure . See also Weighted Average Cost of Capital .		The expected Rate of Return that the market requires in order to attract funds to a particular investment, assuming an unlevered Capital Structure . See also Weighted Average Cost of Capital .	
Unsystematic Risk	The risk specific to an individual security that can be avoided through diversification.	Risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with Systematic Risk .		Risk specific to an individual security that can be eliminated through diversification. Also known as idiosyncratic risk or diversifiable risk. Contrast with Systematic Risk .	The risk specific to an individual security that can be avoided through diversification.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Valuation	The act or process of determining the value of a business, business ownership interest, security or intangible asset.	The act or process of developing an opinion or conclusion of value at a Valuation Date using a Premise of Value , a Standard of Value , and one or more Valuation Approaches . Also known as Appraisal .		The act or process of developing an opinion or conclusion of value at a Valuation Date using a Premise of Value , a Standard of Value , and one or more Valuation Approaches . Also known as Appraisal .	The act or process of determining the value of a business, business ownership interest, security or intangible asset.
Valuation Analyst					<i>For purposes of this statement, an AICPA member who performs an engagement to estimate value that culminates in the expression of a conclusion of value or a calculated value.</i>
Valuation Approach	A general way of determining a value indication of a business, business ownership interest, security or intangible asset using one or more valuation methods.	A general manner of estimating a value that uses one or more specific Valuation Methods . See also Cost Approach , Asset Approach , Income Approach , and Market Approach .		A general manner of estimating a value that uses one or more specific Valuation Methods . See also Cost Approach , Asset Approach , Income Approach , and Market Approach .	A general way of determining a value indication of a business, business ownership interest, security or intangible asset using one or more valuation methods.
Valuation Assumptions					<i>Statements or inputs utilized in the performance of an engagement to estimate value that serve as a basis for the application of particular valuation methods.</i>
Valuation Date	The specific point in time as of which the valuator's conclusion of value applies (also referred to as "Effective Date" or "Appraisal Date").	The specific point in time at which the conclusion of value applies. Also known as Effective Date , Measurement Date , or date of value. Contrast with Report Date .		The specific point in time at which the conclusion of value applies. Also known as Effective Date , Measurement Date , or date of value. Contrast with Report Date .	The specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").
Valuation Engagement					<i>An engagement to estimate value in which a valuation analyst determines an estimate of the value of a subject interest by performing appropriate valuation procedures, as outlined in the AICPA Statement on Standards for Valuation Services, and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation engagement as a conclusion of value, which may be either a single amount or a range.</i>
Valuation Method	Within approaches, a specific way to determine value.	Within a Valuation Approach , a methodology used to estimate value (e.g., Discounted Cash Flow Method under the Income Approach).		Within a Valuation Approach , a methodology used to estimate value (e.g., Discounted Cash Flow Method under the Income Approach).	Within approaches, a specific way to determine value.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Valuation Model		A tool used by business valuation professionals to estimate the value of an asset, business, or investment consisting of a series of calculations involving the application of Valuation Methods and the business valuation professional's informed judgement.		A tool used by business valuation professionals to estimate the value of an asset, business, or investment consisting of a series of calculations involving the application of Valuation Methods and the business valuation professional's informed judgement.	
Valuation Procedure	The act, manner, and technique of performing the steps of an appraisal method.				The act, manner, and technique of performing the steps of an appraisal method.
Valuation Ratio	A fraction in which a value or price serves as the numerator and financial, operating, or physical data serves as the denominator.				A fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.
Valuation Service / Valuation Service			A service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.		<i>See engagement to estimate value.</i>
Value			The monetary relationship between properties and those who buy, sell, or use those properties, expressed as an opinion of the worth of a property at a given time. Comment: In appraisal practice, value will always be qualified (for example, market value, liquidation value, or investment value).		
Value in Exchange		The value of an asset or liability if sold in the open market. Contrast with Value in Use .		The value of an asset or liability if sold in the open market. Contrast with Value in Use .	
Value in Use		The value of an asset, business, or investment in its current or continued use. Also known as value in continued use, or existing use value. Contrast with Value in Exchange .		The value of an asset, business, or investment in its current or continued use. Also known as value in continued use, or existing use value. Contrast with Value in Exchange .	
Value to the Owner	See Investment Value .				See Investment Value .
Voting Control	<i>De jure</i> control of a business enterprise.				<i>De jure</i> control of a business enterprise.
Waterfall		The contractual allocations of Cash Flows , commonly resulting from a liquidity event (e.g., merger, acquisition, initial public offering), to the various ownership classes (e.g., debt, preferred equity, common equity) in a business, reflecting the economic rights of each class.		The contractual allocations of Cash Flows , commonly resulting from a liquidity event (e.g., merger, acquisition, initial public offering), to the various ownership classes (e.g., debt, preferred equity, common equity) in a business, reflecting the economic rights of each class.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	USPAP [F3]	ASA [F1] [F2] [F4]	AICPA [F1][F5]
Weighted Average Cost of Capital (WACC)	The cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.	A measure of a business' overall Cost of Capital in which the expected Rate of Return on each component of capital (e.g., debt, equity) is weighted at market value based upon its relative proportion of the Capital Structure .		A measure of a business' overall Cost of Capital in which the expected Rate of Return on each component of capital (e.g., debt, equity) is weighted at market value based upon its relative proportion of the Capital Structure .	The cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.
With and Without Method		A method used to estimate the value of an asset by comparing a scenario in which the business uses the asset and another scenario in which the business does not use the asset, all other factors held constant. Also known as premium profits method.		A method used to estimate the value of an asset by comparing a scenario in which the business uses the asset and another scenario in which the business does not use the asset, all other factors held constant. Also known as premium profits method.	
Workfile			Data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP (See RECORD KEEPING RULE).		
Working Capital		The amount of current assets minus current liabilities held in a business for its day-to-day operational needs. Also known as debt-free net working capital when all or a portion of cash and the current portion of interest-bearing debt is excluded.		The amount of current assets minus current liabilities held in a business for its day-to-day operational needs. Also known as debt-free net working capital when all or a portion of cash and the current portion of interest-bearing debt is excluded.	
Effective Date: Glossary of Terms	June 1, 2017	February 24, 2022	2021–21 (Includes 2022) USPAP	February 24, 2022	June 2015

Footnotes

[F1] In 2001, to enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the *American Institute of Certified Public Accountants* ("AICPA"), the *American Society of Appraisers* ("ASA"), the *CBV Institute* ("CBV") (Formerly, *Canadian Institute of Chartered Business Valuators*), the *National Association of Certified Valuators and Analysts* ("NACVA") (Formerly, *National Association of Certified Valuation Analysts*), and *The Institute of Business Appraisers* ("IBA") adopted the definitions for the terms included in this glossary (The *International Glossary of Business Valuation Terms*). The performance of business valuation services requires a high degree of skill and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession. If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement. The AICPA has adopted additional terms that are italicized in the glossary presented.

[F2] In November 2021, 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"), jointly published the *International Valuation Glossary—Business Valuation* as part of ongoing efforts to harmonize definitions for terms used in business valuation. This Glossary was updated on February 24, 2022. It is intended to be a reference tool to facilitate communication within the business valuation profession and with relevant stakeholders and users. This Glossary is designed to be helpful, but neither authoritative nor prescriptive. To that end, the Glossary aims to provide a common understanding of technical terms used within the

various sub-practice areas of business valuation, and for those operating in different markets. Users of valuation services are encouraged to familiarize themselves with the appropriate context, as not all terms are applicable to every use. Furthermore, it is acknowledged that terms used in different markets may vary. Consequently, if any term in this Glossary conflicts with a published governmental, judicial or accounting authority, precedence should be given to the use and interpretation of terms as they appear in applicable published authoritative guidance, given the purpose of the valuation. Given that the definition for some terms in this Glossary may differ slightly based on the purpose of the valuation and jurisdiction, business valuation professionals should ensure they are using and disclosing the most appropriate definition for the circumstances of the engagement. Finally, if the business valuation professional believes that one or more of these terms needs to be used in a manner that materially departs from this Glossary, it is recommended that the term be defined as used within that valuation engagement. The use of the appropriate definition relies on the professional judgment of the business valuation professional.

Please refer to the following article by James R. Hitchner, CPA, ABV, CFF, entitled "The Business Valuation Glossary Issue" (*Hardball with Hitchner: Tough Issues...Clear Answers – Issue 17/18 – March/April 2022*) for an in-depth review, analysis, and discussion of the release in November 2021 of the *International Valuation Glossary—Business Valuation (Updated February 24, 2022)* and comparing it with other Glossaries of Terms published by other professional organizations (*Hardball with Hitchner: Tough Issues...Clear Answers* is published monthly by Valuation Products and Services, LLC, Ventnor Professional Campus, 6601 Ventnor Ave., Suite 101, Ventnor City, NJ 08406).

[F3] The definitions presented under the *Uniform Standards of Appraisal Practice* ("USPAP") are those terms published by *The Appraisal Foundation* in the *2020–21 Uniform Standards of Professional Appraisal Practice*. Defined terms are intended to clarify the meaning of words or phrases in USPAP that differ from or are not found in popular English dictionaries and, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions.

[F4] Prior to the issuance of the updated *International Valuation Glossary—Business Valuation* on February 24, 2022, the ASA included the *International Glossary of Business Valuation Terms* (published in 2001), along with certain additional terms, within the body of the *ASA Business Valuation Standards ("Standards")* (last revised in July 2008 and included in the updated November 2009 version of the *Standards*). However, this Glossary was eliminated from these *Standards* in the latest February 2022 version of them, although the page references in the table of contents and the body of the text remained the same after the elimination of the Glossary. It appears that since the new updated Glossary is neither authoritative nor prescriptive, but rather is designed to aid communication among appraisers and users of appraisal services, it was decided to publish this resource separately from the *Standards*. Further, it is important to note that these *Standards* are to be used in conjunction with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of The Appraisal Foundation. Consequently, this includes the terms defined in USPAP.

[F5] The AICPA includes two glossaries: (1) The *International Glossary of Business Valuation Terms* (Refer to F[1]), and (2) *Glossary of Additional Terms* that have been formatted in italicized print.

Summary

©NACVA Standards Board (2/25/2022). The initial version of the Chart was largely created as a result of the efforts of Carl Steffen (inspired by a comparative work product completed by C. Zachary Meyers). This document was reviewed by Joshua Horn, Mallory Ashbrook, Trisch Garthoeffner, and Nick Mears—Members of the NACVA Standards Board. This work product was published expeditiously and is under continued review and subject to change. All rights reserved.

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