International Glossary of Appraisal/Valuation Terms—International 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—International 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 *International Valuation Standards Council* ("IVSC") Glossary, to the *Royal Institution of Chartered Surveyors* ("RICS") Glossary, and to *CBV Institute* ("CBV") Glossary.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [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.)				
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.
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]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Appraisal	See **Valuation**.	Also known as **Valuation**.			Also known as **Valuation**.
Appraisal Approach	See **Valuation Approach**.				
Appraisal Date	See **Valuation Date**.				
Appraisal Method	See **Valuation Method**.				
Appraisal Procedure	See **Valuation Procedure**.				
Arbitrage Pricing Theory	A multivariate model for estimating the cost of equity capital, which incorporates several systematic risk factors.				
Asset or Assets			To assist in the readability of the standards and to avoid repetition, the words "asset" and "assets" refer generally to items that might be subject to a valuation engagement. Unless otherwise specified in the standard, these terms can be considered to mean "asset, group of assets, liability, group of liabilities, or group of assets and liabilities".		
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**.
Assumption				A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a *valuation* that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an *assumption* is made where specific investigation by the valuer is not required in order to prove that something is true.	
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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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**.	The fundamental premises on which the reported values are or will be based (See IVS 105 Valuation Approaches and Methods, para 10.1) (in some jurisdictions also known as standard of value).	A statement of the fundamental measurement *assumptions* of a valuation. In some jurisdictions, the basis of value is also known as the '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**.
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.
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**.				

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Business Enterprise	A commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity.				
Business 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.				
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**.
Capitalization	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.				
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**.
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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
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**.
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**.
Client			The word "client" refers to the person, persons, or entity for whom the valuation is performed. This may include external clients (i.e., when a valuer is engaged by a third-party client) as well as internal clients (i.e., valuations performed for an employer).		
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.

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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.				
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**.
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**.
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.
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.
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(s)			The consideration or expenditure required to acquire or create an asset.		

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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**.		An approach that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.	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**.
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**.
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.
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**.
Date of Report				The date on which the valuer signs the report.	
Date of Valuation				See *valuation date*.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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	***We discourage the use of this term***. See **Invested Capital**.				
Departure				Special circumstances where the mandatory application of these global standards may be inappropriate or impractical. (See **PS 1 section 6**)	
Depreciated Replacement Cost (DRC)				The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	
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**.
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**.
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.
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 a monetary sum, payable or receivable in the future, into a present value.		A **Rate of Return** used to convert **Economic Income** 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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [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.				
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.				
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.				
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.			See also **Valuation Date**, **Measurement Date**, or date of value.
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**.
Enterprise	See **Business Enterprise**.				

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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**.
Equitable Value			This is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.	The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (See IVS 104 paragraph 50.1).	
Equity	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.				
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.
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.

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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).		"The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices of a company on its financial performance and operations. ESG comprises three pillars: environmental, social, and governance, all of which collectively contribute to effective performance, with positive benefits for the wider markets, society, and world as a whole." **IVS 2020 Agenda Consultation** (p14). Although ESG principally refers to companies and investors, ESG-related factors are also used to describe the characteristics and, where relevant, operation of individual assets. It is used throughout these standards in this context.	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).
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.
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.
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.
External Valuer				A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [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**.	(1)The Organisation for Economic Co-operation and Development (OECD) defines "fair market value" as the price a willing buyer would pay a willing seller in a transaction on the open market. (2) For United States tax purposes, Regulation §20.2031-1 states: "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts" (United States Internal Revenue Service).		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**. [NOTE: In Canada, the term "price" should be replaced with the term "highest price."]
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.	IFRS 13 defines "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.	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. (This definition derives from International Financial Reporting Standards IFRS 13.)	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.
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.
Financial Risk	The degree of uncertainty of realizing expected future returns of the business resulting from financial leverage. See **Business Risk**.				

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Financial Statements				Written statements of the financial position of a person or a corporate entity, and formal financial records of prescribed content and form. These are published to provide information to a wide variety of unspecified *third party* users. *Financial statements* carry a measure of public accountability that is developed within a regulatory framework of accounting standards and the law.	
Firm				The *firm* or organisation for which the *member* works, or through which the *member* trades.	
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**.
Free Cash Flow	***We discourage the use of this term.*** 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.
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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.		Any future economic benefit arising from a business, an interest in a business, or from the use of a group of assets that is not separable.	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.
Goodwill Value	The value attributable to goodwill.				
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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Guideline Transaction 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.
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).
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.		An approach that provides an indication of value by converting future cash flows to a single current capital value.	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.
Inspection				A visit to a property or *inspection* of an asset, to examine it and obtain relevant information, in order to express a professional opinion of its value. However, physical examination of a non-real estate asset, for example, a work of art or an antique, would not be described as *'inspection'* as such.	
Intangible Assets	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**.		A non-monetary asset that manifests itself by its economic properties. It does not have physical substance but grants rights and/or economic benefits to its 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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [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 a valuer's reported valuation or valuation review results, as identified by the valuer based on communication with the client.		
Intended User			The client and any other party as identified, by name or type, as users of the valuation or valuation review report by the valuer based on communication with the client.		
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).
Internal Valuer				A valuer who is in the employ of either the enterprise that owns the assets, or the accounting firm responsible for preparing the enterprise's financial records and/or reports. An *internal valuer* is generally capable of meeting the requirements of independence and professional objectivity in accordance with **PS 2 section 3**, but may not always be able to satisfy additional criteria for independence specific to certain types of assignment, for example under **PS 2 paragraph 3.4**.	
International Financial Reporting Standards (IFRS)				Standards set by the International Accounting Standards Board (IASB) with the objective of achieving uniformity in accounting principles. The standards are developed within a conceptual framework so that elements of *financial statements* are identified and treated in a manner that is universally applicable.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
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**.
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.				
Investment Property				Property that is land or a building, or part of a building, or both, held by the owner to earn rentals or for capital appreciation, or both, rather than for: (a) use in the production or supply of goods or services, or for administrative purposes; or (b) sale in the ordinary course of business.	
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).
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.	The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth).	The value of an asset to the owner or a prospective owner for individual investment or operational objectives (See IVS 104 paragraph 60.1). (May also be known as *worth*.)	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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Jurisdiction			The word "jurisdiction" refers to the legal and regulatory environment in which a valuation engagement is performed. This generally includes laws and regulations set by governments (e.g., country, state and municipal) and, depending on the purpose, rules set by certain regulators (e.g., banking authorities and securities regulators).		
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.
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**.
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.				
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 that would be realized when an asset or group of assets are sold on a piecemeal basis. Liquidation value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation value can be determined under two different premises of value (See IVS 104 *Bases of Value*, section 80): (a) an orderly transaction with a typical marketing period or (b) a forced transaction with a shortened marketing period.		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**.
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**.
Majority Control	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.				

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.		An approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price 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.
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.
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.
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).				
Market Rent (MR)				The estimated amount for which an interest in real property should be leased on the *valuation date* between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and, without compulsion (See IVS 104 paragraph 40.1).	
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**.	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.	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 IVS 104 paragraph 30.1).	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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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**.
Marketability Discount	See **Discount for Lack of Marketability**.				
Marriage Value				An additional element of value created by the combination of two or more assets or interests where the combined value is more than the sum of the separate values.	
May			The word "may" describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer's attention and understanding. How and whether the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objectives of the standards.		
Measurement Date		Also known as **Valuation Date**, **Effective Date**, or date of value.			Also known as **Valuation Date**, **Effective Date**, or date of value.
Member				A Fellow, professional *member*, associate *member* or honorary *member* of the Royal Institution of Chartered Surveyors (RICS).	
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.				
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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Minority Discount	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.				
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.
Must			The word “must” indicates an unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.		
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.
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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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**.
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.				
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**.
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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
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.				
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.
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**.
Participant			The word "participant" refers to the relevant participants pursuant to the basis (or bases) of value used in a valuation engagement (See IVS 104 *Bases of Value*). Different bases of value require valuers to consider different perspectives, such as those of "market participants" (e.g., market value, IFRS fair value) or a particular owner or prospective buyer (e.g., investment value).		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Personal Property				*Personal property* means assets (or liabilities) not permanently attached to land or buildings: • **including**, but not limited to: fine and decorative arts, antiques, paintings, gems and jewellery, collectables, fixtures and furnishings, and other general contents • **excluding** trade fixtures and fittings, *plant and equipment*, businesses or business interests, or *intangible assets*.	
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**.
Plant and Equipment				*Plant and equipment* may be broadly divided into the following categories: • **plant:** assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialized buildings, and machinery and equipment forming a dedicated assemblage • **machinery:** individual, or a collection or a fleet or system of, configured machines/technology (including mobile assets, such as: vehicles, rail, shipping, and aircraft) that may be employed, installed or remotely operated in connection with a user's industrial or commercial processes, trade or business sector (a machine is an apparatus used for a specific process) or • **equipment:** an all-encompassing term for other assets such as sundry machinery, tooling, fixtures, furniture and furnishings, trade fixtures and fittings, sundry equipment and technology, and loose tools that are used to assist the operation of the enterprise or entity.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
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**.
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**.
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**.
Price		The monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.	The monetary or other consideration asked, offered, or paid for an asset, which may be different from the value.		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.				
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).

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
Purpose			The word "purpose" refers to the reason(s) a valuation is performed. Common purposes include, but are not limited to: financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions.		
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.
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				Land and all things that are a natural part of the land (e.g., trees, minerals) and things that have been attached to the land (e.g., buildings and site improvements) and all permanent building attachments (e.g., mechanical and electrical plant providing services to a building), that are both below and above the ground. (NOTE: that a right of ownership, control, use or occupation of land and buildings is defined as a real property interest in IVS 400 at paragraph 20.2.)	
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**.				
Registered for Regulation / Registered by RICS				(a) A *firm* that is registered for regulation by RICS under the RICS bylaws; (b) A *member* who is registered as a valuer under RICS Valuer Registration (VR).	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.**
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.
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.**
Reproduction Cost New	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.
Residual Value	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.				
Return on Investment	See **Return on Invested Capital** and R**eturn on Equity**.				
Return on Invested Capital	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.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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).
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.				
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)**.
Should			The word "should" indicates responsibilities that are presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards. In the rare circumstances in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate. If a standard provides that the valuer "should" consider an action or procedure, consideration of the action or procedure is presumptively mandatory, while the action or procedure is not.		

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Significant and/or Material			Assessing significance and materiality require professional judgement. However, that judgement should be made in the following context: (1) Aspects of a valuation (including: inputs, assumptions, special assumptions, and methods and approaches applied) are considered to be significant/material if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation; and judgments about materiality are made in light of the overall valuation engagement and are affected by the size or nature of the subject asset; (2) As used in these standards, "material/materiality" refers to materiality to the valuation engagement, which may be different from materiality considerations for other purposes, such as financial statements and their audits.		
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 Assumption				An *assumption* that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.	
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.				
Special Purchaser				A particular buyer for whom a particular asset has a *special value* because of advantages arising from its ownership that would not be available to other buyers in a market.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Special Value				An amount that reflects particular attributes of an asset that are only of value to a *special purchaser*.	
Specialized Property				A property that is rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialized nature and design, its configuration, size, location or otherwise.	
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**.
Subject or Subject Asset			These terms refer to the asset(s) valued in a particular valuation engagement.		
Sustainability				*Sustainability* is, for the purpose of these standards, taken to mean the consideration of matters such as, but not restricted to: environment and climate change, health and wellbeing, and personal and corporate responsibility that can or do impact on the *valuation* of an asset. In broad terms, it is a desire to carry out activities without depleting resources or having harmful impacts. There is as yet no universally recognized and globally adopted definition of 'sustainability'. Therefore, members should exercise caution over the use of the term without additional appropriate explanation. In some jurisdictions, the term "resilience" is being adopted to replace the term 'sustainability' when related to property assets. Sustainability may also be a factor in environmental, social, and governance (ESG) considerations.	

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Sustaining Capital Reinvestment	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 result of a combination of two or more assets or interests where the combined value is more than the sum of the separate values. If the synergies are only available to one specific buyer, then synergistic value will differ from market value, as the synergistic value will reflect particular attributes of an asset that are only of value to a specific purchaser. The added value above the aggregate of the respective interests is often referred to as marriage 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.
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**.
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**.
Tax Amortization Benefit		The present value of income tax savings resulting from the tax deduction generated by the amortization of an I**ntangible Asset**.			The present value of income tax savings resulting from the tax deduction generated by the amortization of an I**ntangible 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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
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.
Terms of Engagement				Written confirmation of the conditions that either the *member* proposes or that the *member* and client have agreed shall apply to the undertaking and reporting of the *valuation*. Referred to in IVS as scope of work (See IVS 101 paragraph 10.1).	
Third Party				Any party, other than the client, who may have an interest in the *valuation* or its outcome.	
Trade Related Property				Any type of real property designed for a specific type of business where the property value reflects the trading potential for that business.	
Trading Stock				Stock held for sale in the ordinary course of business, for example, in relation to property, land, and buildings held for sale by builders and development companies.	
Transaction 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**.
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**.

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [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 determining an opinion or conclusion of value of an asset on a stated basis of value at a specified date in compliance with IVS.	An opinion of the value of an asset or liability on a stated basis, at a specified date. If supplied in written form, all valuation advice given by members is subject to at least some of the requirements of the Red Book Global Standards—there are no exemptions (**PS 1 paragraph 1.1**). Unless limitations are agreed in the *terms of engagement*, a *valuation* will be provided after an *inspection*, and any further investigations and enquiries that are appropriate, having regard to the nature of the asset and the purpose of the *valuation*.	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**.
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**.	In general, a way of estimating value that employs one or more specific valuation methods (See IVS 105 *Valuation Approaches and 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**.
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 date on which the opinion of value applies. The *valuation date* should also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.	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**.
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 valuation approaches, a specific way to estimate a value.		Within a **Valuation Approach**, a methodology used to estimate value (e.g., **Discounted Cash Flow Method** under the **Income Approach**).
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.				
Valuation Purpose or Purpose of Valuation			See "Purpose".		
Valuation Ratio	A fraction in which a value or price serves as the numerator and financial, operating, or physical data serves as the denominator.				

Terms	NACVA [F1]	International Valuation Glossary—Business Valuation [F2]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Valuation Reviewer			A "valuation reviewer" is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.		
Value			The opinion resulting from a valuation process that is compliant with IVS. It is an estimate of either the most probable monetary consideration for an interest in an asset or the economic benefits of holding an interest in an asset on a stated basis of 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**.				
Valuer			A "valuer" is an individual, group of individuals or individual within an entity, regardless of whether employed (internal) or engaged (contracted/external), possessing the necessary qualifications, ability, and experience to execute a valuation in an objective, unbiased, ethical, and competent manner. In some jurisdictions, licensing is required before one can act as a valuer.		
Voting Control	*De jure* 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]	IVSC [F3]	RICS/Red Book [F4]	CBV Institute [F5]
Weight			The word “weight” refers to the amount of reliance placed on a particular indication of value in reaching a conclusion of value (e.g., when a single method is used, it is afforded 100 percent weight).		
Weighting			The word “weighting” refers to the process of analyzing and reconciling differing indications of values, typically from different methods and/or approaches. This process does not include the averaging of valuations, which is not acceptable.		
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**.
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.
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.
Worth			See investment value.	See *investment value*.	
Effective Date: Glossary of Terms	June 1, 2017	February 24, 2022	January 31, 2022	January 31, 2022	February 24, 2022

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.

[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 *International Valuation Standards* ("IVS") was published by the *International Valuation Standards Council* ("IVSC") and includes a Glossary, provided above, and is effective January 31, 2022.

[F4] The *RICS Valuation—Global Standards 2021* include a RICS Glossary of Technical Terms and is effective January 31, 2022. As indicated in **[F2]**, RICS participated in publication of the *International Valuation Glossary—Business Valuation*. The IVS are reproduced in full with kind permission from IVSC. Effective from January 31, 2022, the IVS are adopted and applied through these RICS Red Book Global Standards, being cross-referenced throughout Parts 3 to 5.

[F5] The *CBV Institute* (Formerly, *Canadian Institute of Chartered Business Valuators*) was one of the professional organizations that participated in the development of the *International Glossary of Business Valuation Terms* in 2001. In addition, the *CBV Institute* also participated in the development of the *International Valuation Glossary—Business Valuation* in November 2021. As a result, the *CBV Institute* has adopted the *International Valuation Glossary—Business Valuation* (with some Canada-only terms), as incorporated in *Practice Bulletin No. 2*.

Summary

Disclaimer: It is important to note that this document was prepared by members of the NACVA Standards Board and although the information contained in this document has been carefully compiled from sources believed to be reliable, the accuracy of the information is not guaranteed.

For additional information regarding NACVA Professional Standards, please visit www.NACVA.com/Standards.