

Business Valuation/Appraisal Standards Comparison Chart

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

The following Business Valuation/Appraisal Standards Comparison Chart ("Chart") provides a comparison of the respective business valuation standards promulgated by NACVA, IBA, AICPA, ASA, and USPAP. Each set of standards is formatted differently and has more in common than there are differences.

The common elements are that each organization's standards are summarized in three broad categories: ethics, development, and reporting and virtually cover the same substantive issues. The differences in the standards are formatting and details addressed in specific areas.

The intent of this document is to show that all standards compared are essentially addressing the same issues and do not conflict. Standards by their very nature are open to interpretation. The differences are referenced in the Chart and addressed subsequently.

The differences noted in some cases can be interpreted to be covered or implied in other sections. This document can be used as a starting point toward a unification of industry wide and accepted standards by the respective organizations.

I. Introduction

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

II. General and Ethical Standards

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
A member shall perform professional services in compliance with the following principles:					
A. Integrity and Objectivity A member shall remain objective, maintain professional integrity, shall not knowingly misrepresent facts, or subrogate judgment to others. The member must not act in a manner that is misleading or fraudulent.	x	Ethics Rule (177-186)	Principles of Appraisal Practice and Code of Ethics ("PAPCE") Par 2.2, 4.3, and 7.5	Secs. .03/.14	Secs. .03/.14
B. Professional Competence A member shall only accept engagements the member can reasonably expect to complete with a high degree of professional competence. If a member lacks the knowledge and/or experience to complete such engagements with a high degree of professional competence, the member is not precluded from performing such engagements. In such instance, the member must take steps necessary to gain expertise through additional research and/or consultation with other professionals believed to have knowledge and/or experience prior to completion of such engagements.	x	Competency Rule (299-337)	Par 3.4 and 4.2	Secs. .03/.11/.12	Secs. .03/.11/.12

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
C. Due Professional Care A member must exercise due professional care in the performance of services, including completing sufficient research and obtaining adequate documentation.	x	Ethics Rule (177–186) Scope of Work Rule (338–403) Standards Rule (“SR”) 9-1 (c)	Par 3.3, 4.2, and 6.9	Sec. .03	Sec. .03
D. Understandings and Communications with Clients A member shall establish with the client a written or oral understanding of the nature, scope, and limitations of services to be performed and the responsibilities of the parties. If circumstances encountered during the engagement require a significant change in these understandings, the member shall notify the client. A member shall inform the client of conflicts of interest, significant reservations concerning the scope or benefits of the engagement, and significant engagement findings or events.	x	The appraiser is responsible for determining the appropriate Scope of Work Rule and disclosing it in the report (398–403) Conflicts of interest must be disclosed as per Ethics Rule (177–186)	Par 4.5, 4.6, and 6.6 Does not address communication of significant reservations or findings	Secs. .03/.13/.16/.17	Secs. .03/.13/.16/.17
E. Planning and Supervision A member shall adequately plan and supervise the performance of services.	x	Planning is indirectly addressed in Scope of Work Rule (338–403)		Sec. .03	Sec. .03
F. Sufficient Relevant Data A member shall obtain sufficient relevant data to afford a reasonable basis for conclusions, recommendations, or positions.	x	Scope of Work Rule (338–403)	Par 6.9 BVS- I, Sections III and V	Secs. .03/.19/.30	Secs. .03/.19/.30
G. Confidentiality Unless required to do so by competent legal authority, a member shall not disclose any confidential client information to a third party without first obtaining the express consent of the client.	x	Ethics Rule/Confidentiality (177–186)/(243–265)	Par 4.1	Sec. .03	Sec. .03
H. Acts Discreditable A member shall not commit any act discreditable to the profession.	x	Ethics Rule (177–186) Conduct (187–220) Management (221–242)	Par 7 and Par 9	Sec. .03	Sec. .03
I. Client Interest A member shall serve the client interest by seeking to accomplish the objectives established with the client, while maintaining integrity and objectivity.	x	Not addressed directly— Client objectives addressed in Scope of Work Rule	Par 4	Secs. .03/.14	Secs. .03/.14
J. Documentation Quantity, type, and content of documentation are matters of the member’s professional judgment. Members should retain documentation for a sufficient time period to comply with legal, regulatory, and professional requirements. NACVA recommends a minimum of five years.	x IBA STD	Record Keeping Rule	BVS- I, Sections III and V	Secs. .44/.45	Secs. .44/.45
K. Financial Interest A member shall not express a Conclusion of Value or a Calculated Value unless the member and the member’s firm state either of the following:	x	SR 10-3 Ethics Rule (177–186) Conduct (187–220) Management (221–242)	Par 7.3	Sec. .03	Sec. .03
1. “I (We) have no financial interest or contemplated financial interest in the subject of this report.”; or					
2. “I (We) have a (specify) financial interest or contemplated financial interest in the subject of this report.”					

III. Scope of Services

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
A. Applicability These Standards are applicable when valuing a business, business ownership interest, security, or intangible asset . The General and Ethical standards apply to all professional services performed by members.	x	Preamble (1–57)	ASA Business Valuation Standards (“BVS”) General Preamble [F8] BVS-I, Preamble BVS-I, Sections II A and B	Intro and Scope Secs./Sec. .01	Intro and Scope Secs./Sec. .01
B. Valuation Services A member may express either a Conclusion of Value or a Calculated Value. When performing such Valuation Services, members shall comply with these Development and Reporting Standards. Valuation Services are:	x	Standards 9 and 10, and look at Advisory Opinion (“AO”) 21 There are two levels of service for Appraisal Practice, which is a subset of Valuation Services: Appraisal and Appraisal Review [F4]	BVS-I, Section II C Refers to three categories: Appraisal, Limited Appraisal, and Calculation [F9]	Intro and Scope Secs./Secs. .02/.04/.21b	Intro and Scope Secs./Secs. .02/.04/.21a
1. Valuation Engagement A Valuation Engagement requires that a member apply valuation approaches or methods deemed in the member’s professional judgment to be appropriate under the circumstances and results in a Conclusion of Value; or	x	SR 9-1	BVS-I, Section II C 1		Secs. .21a/.23/.24/.26
2. Calculation Engagement A Calculation Engagement occurs when the client and member agree to specific valuation approaches, methods, and the extent of selected procedures and results in a Calculated Value.	x	SR 9 (See Scope of Work Rule) and [F4]	BVS-I, Section II C 3	Sec. .21 b	
C. Other Services Any service provided by a member of the NACVA should be done so in an ethical and competent manner that does not negatively impact the valuation profession in general or the NACVA in particular.	x IBA STD	Ethics Rule/ Competency Rule	PAPCE Par 2.1, 3.4, and 4.2	Ethics Rules/Secs. .05–.09	Ethics Rules/Secs. .05–.09
D. Jurisdictional Exception These Standards may differ from published governmental, judicial, accounting, or other authority that specifies valuation development or reporting procedures. In that event, the member should follow the applicable published authority or stated procedures. The other parts of these Standards shall continue in full force and effect.	x	Jurisdictional Exception Rule (404–420)		Secs. .01/.03/.10	Secs. .01/.03/.10

IV. Development Standards

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
A. General A member shall comply with these Development Standards when expressing a Conclusion of Value or a Calculated Value.	x	SR 9	BVS-I	Sec. .21	Sec. .21
B. Expression of Value Value can be expressed as a single number or a range. A valuation analyst must avoid bias in the development of a Conclusion of Value or a Calculated Value.	x	No Specifications re Expression of Value (See Definition of Appraisal) Bias is Discussed within Ethics Rule	BVS-I, Section II C 1, c (1) BVS-I, Section II C 2 and 3, b (1) PAPCE Par 2.2	Secs. .21/.42	Secs. .21/.42

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
C. Reliability of Data A member may rely upon information provided by any source without corroboration if disclosed in the report.	x	Scope of Work Rule SR 10-2(viii)	BVS-VI, Section III C 4 BVS-VIII, Section III B PAPCE Par 6.5	Sec. .18	Sec. .18
D. Scope Limitations A member must consider scope limitations which affect the level of reliance on the information.	x	Scope of Work Rule SR 10-2(a)(x)	PAPCE Par 6.6	Sec. .19 (.76b)	Sec. .19 (.52m/.68e/.71n)
E. Use of Specialist If the work of a third party specialist, such as a real estate or equipment appraiser, was relied upon in the engagement, a description of the reliance (if any) and any level of member's responsibility should be documented.	x	SR 10-3	PAPCE Par 6.9	Sec. .20	Sec. .20
F. Approaches and Methods Valuation methods are commonly categorized into the asset-based, market, income, or a combination of these approaches. Professional judgment is used to select the approaches and the methods that best indicate the value. Rules of thumb are acceptable as reasonableness checks, but should not be used as a stand-alone method.	x	SR 9-1(a)	BVS-III, IV, and V BVS-I, Section IV A BVS-V, Section V and BVS-VI Section III	Secs. .31-.41 (to be agreed with client)	Secs. .31-.41
G. Identification A member must define the assignment and determine the scope of work necessary by identifying the following:	x	SR 9-2 (paragraph numbers below relate to this section, unless otherwise indicated):	BVS-I, Section II B (paragraph numbers below relate to this section, unless otherwise indicated):	Sec. .46	Sec. .25
1. Subject to be valued;	x	Par (e)(i)	4	Sec. .46a	Sec. .25
2. Interest to be valued;	x	Par (e)(ii)	8	Sec. .46b	Sec. .25
3. Valuation date;	x	Par (d)	12	Sec. .46f	Sec. .25
4. Purpose and use of the valuation;	x	Par (b)	2	Sec. .46d	Sec. .25
5. Standard of value;	x	Par (c)	9	Sec. .46h	Sec. .25
6. Premise of value;	x	Par (c)	10	Sec. .46g	Sec. .25
7. Intended users;	x	Par (a)	1	Sec. .46e	Sec. .25
8. Valuation approaches or methods;	x	SR 9-4(a)	BVS I, Section IV A	Sec. .46j	Sec. .25
9. Assumptions, limiting conditions and scope limitations;	x	Par (f) and (g)	13 and 14	Sec. .44	Secs. .25/.44
10. Ownership size, nature, restrictions and agreements;	x	Par (e) and SR 9-4, Par (c) and (d)	11	Sec. .46c	Secs. .25/.27/.28
11. Sources of information; and	x	Par (h)	BVS-I, Section II C 1 (c) 2 and 3	Sec. .46i	Sec. .27
12. Other factors that may influence value when appropriate in the opinion of the member.	x	SR 9-4(b)	5, 6, 7	Sec. .46	Sec. .25
H. Fundamental Analysis For a Conclusion of Value the member must obtain and analyze applicable information, as available, to accomplish the assignment, including:	x	SR 9-4(b)	BVS-I/BVS-IX BVS-I, Section III (paragraph numbers below relate to this section, unless otherwise indicated):		Secs. .26-.30
1. The nature of the business and the history of the enterprise;	x	SR 9-4(b)(i), (b)(iii)	A, B, C		Sec. .27
2. The economic outlook in general and the condition and outlook of the specific industry in particular;	x	SR 9-4(b)(ii)	E, F, G		Sec. .27
3. The adjusted book value of the interest to be valued and the financial condition of the enterprise;	x	SR 9-4(b)(ii)	C, D/BVS-II		Sec. .29
4. The earning capacity of the enterprise;	x	SR 9-4(b)(iii)	C, I/BVS-II		Sec. .29

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

V. Reporting Standards

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

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				Calculation	Valuation
(9) Scope limitations	x	Par (a)(viii): summarize scope	Section III B		Sec. .52
(10) Material matters considered	x	Par (a)(ix)			Sec. .52
(11) Hypothetical conditions/assumptions and the reason for their inclusion	x	Par (a)(x)	Section IV G		Secs. .52/.18/.22
(12) Disclosure of subsequent events considered	x				Secs. .52/.43
(13) Reliance on a specialist	x	Par (a)(viii) [F5]/SR 10-3	Section III B		Secs. .52/.20
(14) Denial of access to essential data	x	Scope of Work Rule	PAPCE Par 6.5		Secs. .52/.19
(15) Jurisdictional exceptions and requirements	x	Jurisdictional Exception Rule			Secs. .52/.10
d) Sources of information	x	SR 10-2(a)(ix)	Section V K		Secs. .51/.53
e) A description of the fundamental analysis (refer to IV(H)), may include:	x	SR 10-2(a)(ix)	Section VI		Secs. .54-.70
(1) Historical financial statement summaries	x	SR 10-2	Section VI A		Secs. .54-.70
(2) Adjustments to historical financial statements	x	SR 10-2	Section VI B		Secs. .54-.70
(3) Adjusted financial statement summaries	x	SR 10-2	Section VI B		Secs. .54-.70
(4) Projected/forecasted financial statements including the underlying assumptions	x	SR 10-2	Section VI C		Secs. .54-.70
(5) Non-operating assets and liabilities	x	SR 10-2			Secs. .54-.70
(6) Valuation approaches and method(s) considered by the member	x	SR 10-2	Section VII A		Secs. .54-.70
(7) Valuation approaches and method(s) utilized by the member	x	SR 10-2	Section VII A		Secs. .54-.70
(8) Other items that influence the valuation	x	SR 10-2	Section VII B		Secs. .54-.70
(9) Site visit disclosure	x	SR 10-2			Secs. .54-.70
(10) Reconciliation of estimates and conclusion of value	x	SR 10-2	BVS-VI		Secs. .54-.70/Sec. .42
f) Identification of the assumptions and limiting conditions	x	SR 10-1(c)	BVS-VIII, Section III		Secs. .54-.70
g) Representation of the member, may include:	x	SR 10-3 (Certification)	BVS-VIII, Section II		Secs. .54-.70
(1) Client identification and limitations on use of report	x	SR 10-3	BVS-VIII, Section IX		Secs. .54-.70
(2) Disclosure of any contingency fee	x	SR 10-3 (no contingency fee)	PAPCE Par 7.1 and BVS-VIII Section III A		Secs. .54-.70
(3) A statement of financial interest	x	SR 10-3	BVS-VIII, Section III		Secs. .54-.70
(4) Whether or not the member is obligated to update the report	x				Secs. .54-.70
(5) Responsible member signature—the member who has primary responsibility for the determination of value must sign or be identified in the report	x	SR 10-3	BVS-VIII, Section II		Sec. .65
h) Qualifications of member	x	See Ethics Rule (Definition of Appraiser)	PAPCE Par 3.4 and 4.2		Sec. .67
i) Appendices and exhibits	x	SR 10-2(b)(viii)/SR 10-3			Sec. .70
2. Summary Reports Summary Reports should set forth the Conclusion of Value through an abridged version of the information that would be provided in a detailed report as outlined in (C.1.a) through (C.1.i) as applicable, and therefore, need not contain the same level of detail.	x	[F4] [F6]	BVS-VIII, Section I B (refers to minimum content required by USPAP SR 10-2)		Secs. .71-.72
3. Calculation Reports A Calculation Report should set forth the Calculated Value and should include the following information.	x	[F4] [F6]	No specific standard for calculation report format [F9]	Secs. .73-.77	

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
a) Introduction, may include:	x	[F4] [F6]	[F9]	Secs. .73-.77	
(1) Identification of the subject interest	x	[F4] [F6]	[F9]	Secs. .73-.77	
(2) Purpose and use of the calculation	x	[F4] [F6]	[F9]	Secs. .73-.77	
(3) Description of the interest being valued	x	[F4] [F6]	[F9]	Secs. .73-.77	
(4) Ownership size, nature, restrictions and agreements	x	[F4] [F6]	[F9]	Secs. .73-.77	
(5) Calculation date	x	[F4] [F6]	[F9]	Secs. .73-.77	
(6) Report date	x	[F4] [F6]	[F9]	Secs. .73-.77	
(7) Scope of work	x	[F4] [F6]	[F9]	Secs. .73-.77	
(8) Calculation Procedures	x	[F4] [F6]	[F9]	Secs. .73-.77	
(9) Hypothetical conditions/assumptions and the reason for their inclusion	x	[F4] [F6]	[F9]	Secs. .73-.77/.18/.22	
(10) Disclosure of subsequent events considered	x	[F4] [F6]	[F9]	Secs. .73-.77	
(11) Reliance on a specialist	x	[F4] [F6]	[F9]	Secs. .73-.77	
b) Identification of the assumptions and limiting conditions	x	[F4] [F6]	[F9]	Secs. .73-.77	
c) Representation of the member, adapted to a calculation report	x	[F4] [F6]	[F9]	Sec. 77	
(1) Client identification and limitations on use of report	x	[F4] [F6]	[F9]	Secs. .73-.77	
(2) Disclosure of any contingency fee	x	[F4] [F6]	[F9]	Secs. .73-.77	
(3) A statement of financial interest	x	[F4] [F6]	[F9]	Secs. .73-.77	
(4) Whether or not member is obligated to update the report	x	[F4] [F6]	[F9]	Secs. .73-.77	
(5) Responsible member signature—the member who has primary responsibility for the determination of the calculated value must sign or be identified in the report	x	[F4] [F6]	[F9]	Secs. .73-.77	
d) Appendices and exhibits	x	[F4] [F6]	[F9]	Secs. .73-.77	
e) Purpose of the calculation procedures;	x	[F4] [F6]	[F9]	Secs. .73-.77	
f) Statement that the expression of value is a Calculated Value; and	x	[F4] [F6]	[F9]	Secs. .73-.77	
g) A general description of the calculation, including a statement similar to the following:	x	[F4] [F6]	[F9]	Secs. .73-.77	
“This Calculation Engagement did not include all the procedures required for a Conclusion of Value. Had a Conclusion of Value been determined, the results may have been different.”	x	[F4] [F6]	[F9]	Sec. 77	
4. Statement that the Report is in Accordance with NACVA Standards A statement similar to the following should be included in the member's report:	x IBA STD	SR 10-3	PAPCE Par 8.1	SSVS STD Sec. .76	SSVS STD Secs. .65/.69
“This analysis and report were completed in accordance with ‘The National Association of Certified Valuators and Analysts’ Professional Standards.”	x IBA STD				
D. Litigation Engagements Reporting Standards A valuation performed for a matter before a court, an arbitrator, a mediator, or other facilitator, or a matter in a governmental or administrative proceeding, is exempt from the reporting provisions of these standards. The reporting exemption applies whether the matter proceeds to trial or settles. This litigation waiver does not, however, relieve the member from complying with the Development Standards and all other standards promulgated by NACVA.	x IBA STD	[F7]	Procedural Guideline PG-1, Litigation Support, contains guidelines as to: conducting the assignment, preparation of an expert report, retention of work papers and report	Secs. .47/.50	Secs. .47/.50

VI. Business Valuation Review

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

VII. Review Engagement Development Standards

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

VIII. Review Engagement Reporting Standards

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

IX. International Glossary

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

X. Effective Date

NACVA	IBA	USPAP	ASA	AICPA - SSVS - VS Sec. 100	
				Calculation	Valuation
These Professional Standards are effective for engagements accepted on or after June 1, 2017. Earlier adoption by members is encouraged. Revised to include Review Standards.	June 1, 2017	January 1, 2018 through December 31, 2019	PAPCE Revised June 2015/ BVS Revised November 2009	Sec. .79 January 1, 2008	Sec. .79 January 1, 2008

Definitions

“IBA STD”—Each of the Professional Standards is being compared to the NACVA Professional Standards. Further, the IBA Professional Standards are verbatim to the NACVA Professional Standards, except that “IBA” is substituted for the

references to “NACVA.” In those instances, we have noted this in the IBA column with the terms “IBA STD.”

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

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

Footnotes

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

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

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

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

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

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

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

[F5] USPAP does not identify specifically the use of a specialist. However, it gives general guidelines as to the information that should be provided concerning the extent of significant business/or intangible asset assistance.

[F6] USPAP does not specifically address a Summary or a Calculation Report. However, it does address a Restricted Appraisal Report, which is not the equivalent of a Summary or a Calculation Report.

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

[F8] In general, The Appraisal Foundation developed standards for all appraisal disciplines through USPAP with Standards 9 and 10 applying specifically to business valuation. Appraisals that will be utilized by lending institutions backed by federal agencies are required to comply with USPAP. However, the American Society of Appraisers (“ASA”) requires its members to follow USPAP guidelines regardless of the use of the appraisal. Further, ASA has developed practice standards and a code of ethics (“PAPCE”) for its members to follow when conducting business valuations. Finally, the Business Valuation Committee of the ASA has developed its own set of standards for BV members to follow, which is referred to as BVS.

[F9] ASA has three levels of service: an Appraisal, a Limited Appraisal, and a Calculation. The objective of an ASA Appraisal is to express an unambiguous opinion as to the value of a business, business ownership interest, security, or intangible asset, which opinion is supported by all procedures that the appraiser deems to be relevant to the valuation.

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

Additional Items Not Covered in the Chart

USPAP

Ethics Rule

An appraiser:

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

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in the subsequent report certification:

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

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

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

Record Keeping Rule

An appraiser must prepare a workfile for each appraisal or appraisal review. A workfile must be in existence prior to the issuance of any report.

The workfile must include:

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

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

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

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

Scope of Work Rule

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

Standard 9: Business Appraisal, Development

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

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

Standard 10: Business Appraisal, Reporting

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

ASA Standards

Principles of Appraisal Practice and Code of Ethics

Foreword

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

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

5.1 Protection of Professional Reputation of Other Appraisers

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

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

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

7.2 Percentage Fees

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

7.3 Disinterested Appraisals

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

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

7.7 Advertising and Solicitation

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

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

BVS-1, Section II B

The type of engagement (Appraisal, Limited Appraisal, or Calculation)—Paragraph 3

The type of entity—Paragraph 5

The state or jurisdiction of incorporation, if applicable—Paragraph 6

The principal business location (or headquarters)—Paragraph 7BVS-VIII, Section IV E

The level of value, such as marketable minority or nonmarketable minority, must be defined.

BVS-VIII, Section VI D

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

AICPA Standards

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

Independence and Valuation

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

Defining Professional Requirements in Business Valuation Standards

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

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

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

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

Summary

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

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

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