

Industry Standards & Ethics Update

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NACVA AND THE CTI'S
2020 Business Valuation and Financial Litigation
VIRTUAL SUPER CONFERENCE



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- Mark G. Kucik is founder of The Kucik Valuation Group, LLC, of Chicago, Illinois, specializing in business valuations of family-owned and closely held securities for use in estate tax planning, financial statement reporting, estate tax returns, gift tax returns, buy/sell agreements, purchase/sale transactions, ESOPs, economic damages, matrimonial and shareholder disputes.
- Mr. Kucik is the past Chair and current member of the National Association of Certified Valuators and Analysts (NACVA) Executive Advisory Board, past Chair of the NACVA Standards Committee, a member of the International Glossary Task Force, a member of the North American Business Valuation Standards Council, an instructor on NACVA's Training Development Team, and served on NACVA's Education Board. He has over 30 years of professional experience, 20 years specialized in business valuation.
- Mr. Kucik was awarded NACVA's Outstanding Member Award, NACVA's "Outstanding Instructor" award, and "Instructor of Great Distinction" award, NACVA's "Circle of Light" award and NACVA's Thomas R. Porter Lifetime Achievement Award. He also presents valuation seminars throughout the Chicago area. Mr. Kucik is a Certified Public Accountant (CPA), Certified Valuation Analyst (CVA), Certified Mergers and Acquisitions Analyst (CM&AA), Certified in Financial Forensic (CFF), and Certified Patent Valuation Analyst (CPVA). He is a member of the American Institute of Certified Public Accountants (AICPA), and the Illinois CPA Society (ICPAS). Mr. Kucik is a graduate of Loyola University of Chicago.
- Mr. Kucik is an Advisor and member of the National Association of Certified Valuators and Analysts (NACVA) Standards Board.



Carl Steffen (csteffen@wsrp.com)

- Carl Steffen joined WSRP, LLC, in January 2003. He specializes in business valuations associated with the purchase/sale of businesses, mergers and acquisitions, estate and gift taxes, employee stock ownership plans (ESOPs), and litigation support. His past experience includes providing tax compliance, planning, and research (federal/multi-state/foreign) for individuals and businesses.
- A licensed CPA in Utah and California, Mr. Steffen earned an MBA from the University of California, Berkeley, and a MS in taxation from Golden Gate University (San Francisco). He has been named an ASA through the American Society of Appraisers and a CBA through the Institute of Business Appraisers. Mr. Steffen is also accredited as a CVA through NACVA and is an ABV through the AICPA. Further, he has also received the ABAR designation from the Institute of Business Appraisers, and he is a CFF through the AICPA.
- Mr. Steffen was honored as Outstanding Member of NACVA in 2001. He is a former president of the Utah State Chapter of NACVA and is a former member of its Valuation Credentialing Board. He has made numerous presentations on business valuation before professional organizations.
- Mr. Steffen has almost 20 years of experience with the NACVA Professional Standards, including participating in the drafting of these Standards as both a member and Chair of the NACVA Standards Committee, predecessor to the NACVA Standards Board. He was the first Chair of the NACVA Standards Board and is currently a member of this Board. For the past several years, he has been a co-presenter of the Industry Standards Update Program at the NACVA/CTI Annual Conferences.



C. Zachary Meyers (czmcpava@CZMeyers.com)

- C. Zachary Meyers is a Certified Public Accountant (CPA) and a Certified Valuation Analyst (CVA). Mr. Meyers is a member of the American Institute of Certified Public Accountants (AICPA), West Virginia Society of Certified Public Accountants (WVSCPA), and National Association of Certified Valuators and Analysts (NACVA).
- C. Zachary Meyers has been retained in over 1,900 engagements as a testifying expert, consulting expert, or joint/court appointed expert since 2011. Mr. Meyers has provided expert testimony and been qualified in Federal District Courts, State/Circuit Courts, Family Law Courts, and the West Virginia Human Rights Commission as an expert in Business Valuation, Forensic Accounting, Pension Valuation, and Taxation.
- Mr. Meyers is the author of the *Unimpeachable Neutrality Series* for the publication QuickRead where he serves as both an Editorial Board member and contributing author.
- C. Zachary Meyers was elected by the National Association of Certified Valuators and Analysts (NACVA) membership to the first NACVA Standards Board in 2016, appointed NACVA Standards Board Vice-Chair in 2017, and elected NACVA Standards Board Chair in 2018 and 2019.



Professional Standards Online at NACVA.com

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What's New in 2020

- **NACVA Domestic Standards Comparison Chart Updated**
- USPAP 2020-21 Edition – Effective 1/1/2020.
- AICPA issued SSFS No. 1 that provides new forensic standards that apply to litigations and investigations and can be applicable to valuation engagements – Effective 1/1/2020.
- **NACVA International Standards Comparison Chart Updated**
- IVSC issues new International Valuation Standards (IVS) – Effective 1/31/2020.
- Since the Royal Institution of Chartered Surveyors (RICS) adopts the IVS as part of their appraisal standards, they also have provided some changes to their RICS or “Red Book” Standards – Effective 1/31/2020.
- **NACVA COVID 19 Town Halls**
- Valuation Standards and COVID-19
- **Tentative Q & A's**



NACVA Domestic BV Standards Comparison Chart

Changes to the NACVA Domestic Standards Comparison Chart

Business Valuation/Appraisal Standards Comparison Chart

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

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

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

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

The following Chart provides a comparison of the respective business valuation standards promulgated by the National Association of Certified Valuators and Analysts ("NACVA"), to the Institute of Business Appraisers ("IBA" – Refer to [F13]), to the Uniform Standards of Professional Appraisal Practice ("USPAP"), to the American Society of Appraisers ("ASA"), and to the American Institute of Certified Public Accountants – Statement on Standards for Valuation Services ("AICPA – SSVS"). Each set of standards is formatted differently and, to a certain extent, generally has more in common with one another than there are differences. Further, any supplemental information from these standards is generally provided verbatim from the applicable document.

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

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

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



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NACVA Domestic BV Standards Comparison Chart

Updates to the Domestic Standards Comparison Chart Footnotes

- [F5] USPAP prohibits contingent fees based on the opinion of value
- [F6] USPAP does not specifically address a Summary or a Calculation Report.
- [F11] Calculation Engagements - Frequently Asked Questions (FAQs)
- [F12] Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”)
- [F13] In 2008, NACVA acquired the assets of the Institute of Business Appraisers (“IBA”)
- USPAP - Ethics Rule and Record Keeping Rule



Appraisal Standards Board

Summary of Changes for the 2020-21 Edition of USPAP (Adopted April 5, 2019 / Effective January 1, 2020)

- Revisions to Reporting Options and Comments in Standards Rules.
- Revision to SCOPE OF WORK RULE.
- Revisions to COMPETENCY RULE.
- Revisions to DEFINITIONS.
- Other edits included revisions to Advisory Opinions, including retirement of certain Advisory Opinions, to improve clarity and enforceability of USPAP.



Changes for 2020-21 USPAP Reporting

- Retained *Appraisal Report* and *Restricted Appraisal Report* options.
- Board adopted revisions to permit additional Intended Users besides the Client for *Restricted Appraisal Reports*, as long as the other Intended Users are named in the Report (i.e., not merely identified “By Type”).



Changes for 2020-21 USPAP

Comments in Standards Rules

- The Board voted to delete some Comments that had redundant requirements clearly stated elsewhere, and to incorporate other Comments directly into the Standards Rules.
- Some Comments were retained to provide interpretation and/or establish the context and conditions for the application of the Standards Rules.
- The Board also adopted labels for each Standards Rule in order to make it easier for users to locate the specific rule content in USPAP.



Changes for 2020-21 USPAP

SCOPE OF WORK RULE

- Added language to the Disclosure Obligations Section of the SCOPE OF WORK RULE to address the flexibility afforded the appraiser in the disclosure of scope of work basically to clarify the nature, form, and format of disclosure.
- The “Information Disclosed” (Rather than the “Amount of Information Disclosed”) must be appropriate for the intended use of the assignment results.



Changes for 2020-21 USPAP COMPETENCY RULE

- Moved to the COMPETENCY RULE – “Perfection is impossible to attain, and competency does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standard Rule requires an appraiser to use due diligence and due care.” This Statement is applicable to both development and reporting standards.



Changes for 2020-21 USPAP

DEFINITIONS

- Removed certain Comments from existing definitions.
- Added new definitions such as Assignment Elements, Effective Date, Misleading, Personal Inspection, Physical Characteristics, and Relevant Characteristics, to help clarify how each term is used in USPAP.



Changes for 2020-21 USPAP

Other Edits – Improve Clarity and Consistency

- Revised “Accept An Assignment” language.
- Revised “Intangible Items” language.



Revisions of Advisory Opinions for 2020-21

- AO-1, *Sales History*
- AO-2, *Inspection of Subject Property*
- AO-3, *Update of a Prior Appraisal*
- AO-28, *Scope of Work Decision, Performance, and Disclosure*
- AO-31, *Assignments Involving More than One Appraiser*
- AO-32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*
- AO-36, *Identification and Disclosure of Client, Intended Use, and Intended Users*
- AO-38, *Content of an Appraisal Report and Restricted Appraisal Report (NEW)*
 - This New Advisory Opinion compares the reporting requirements under the *Revised Appraisal Report* and *Restricted Appraisal Report* options, and replaces the prior guidance offered in Advisory Opinions 11 and 12



Retirement of Advisory Opinions for 2020-21

- AO-4, *Standards Rule 1-5(b)* (very narrow application on foreclosure sales)
- AO-11, *Content of the Appraisal Options of Standards Rules 2-2, 8-2, and 10-2* (Refer to New AO-38)
- AO-12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* (Refer to New AO-38)



Resources

- **The Appraisal Foundation**

<https://www.appraisalfoundation.org/iMIS/TAF/Default.aspx?hkey=87515edb-20e4-40fc-936f-9fe6c3a9532e&WebsiteKey=e12b6085-ff54-45c1-853e-b838ca4b9895>

- **Summary of Actions Related to 2020-21 USPAP Changes (4/17/19)**

<https://appraisalfoundation.sharefile.com/d-s04ac815d046419a9>

- **Detailed Summary of Actions Related to 2020-21 USPAP Changes (6/25/19)**

<https://appraisalfoundation.sharefile.com/d-scad7ea3f7fd46768>



Statement on Standards for Forensic Services (SSFS) No. 1

Standards Development Process

- Consolidation of SSCS No. 1 and AICPA Code of Professional Conduct.
- Exposure draft in place for much of 2019 with original effective date of May 1, 2019.
- Comments received and proposed standards revised
- New effective date of January 1, 2020.

Slides Provided by Robert W. Carter, Member of the NACVA Standards Board, with certain modifications.



SSFS No. 1 Standards Overview

- Similar to Statement on Standards for Consulting Services No. 1.
- Independence and objectivity concepts are similar and still apply
 - Professional Competence
 - Due Professional Care
 - Planning and Supervision
 - Sufficient Relevant Data
- A member performing forensic services should not subordinate his or her opinion to that of any other party.
- In general, the ultimate decision regarding the occurrence of fraud is determined by a trier of fact; therefore, a member performing forensic services is prohibited from opining regarding the ultimate conclusion of fraud.
- i.e. does not restrict tax experts from providing an opinion about following tax laws.



SSFS No. 1 Applicability

- Per the AICPA, the new standards apply to members when performing the following engagements:
- “*Litigation*. An actual or potential legal or regulatory proceeding before a trier of fact or a regulatory body as an expert witness, consultant, neutral, mediator, or arbitrator in connection with the resolution of disputes between parties. The term *litigation* as used herein is not limited to formal litigation but is inclusive of disputes and all forms of alternative dispute resolution.
 - *Investigation*. A matter conducted in response to specific concerns of wrongdoing in which the member is engaged to perform procedures to collect, analyze, evaluate, or interpret certain evidential matter to assist the stakeholders (for example, client, board of directors, independent auditor, or regulator) in reaching a conclusion on the merits of the concerns.”

Per AICPA SSFS No. 1 paragraph 1.



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SSFS No. 1 Applicability (Cont.)

➤ Engagement Applicability

- Not applicable for “internal use” assignments
- Focus is on engagement purpose rather than engagement type
- Exclusions:
 - Expert opinion – not testifying or in dispute
 - Fact witness

➤ Membership Applicability

- Applies to all AICPA members, AICPA member firms, and employees of AICPA member firms, regardless of certifications or section membership
- Might apply to CPAs that are not members of the AICPA (i.e., where some state boards of accountancy incorporate the AICPA standards into their own standards)



Understanding With The Client

➤ Required

- An understanding with the client is required (verbal or written)
- Updated understanding of engagement if there is a scope change, additional engagement, or change from SSCS No. 1 to SSFS No. 1

➤ Not Required

- Engagement letter
- Reference to SSFS No. 1 in engagement letter or report



Material Change - Contingency Fees

- “A member engaged as an expert witness in a litigation engagement may not provide opinions pursuant to a contingent fee arrangement, unless explicitly allowed otherwise under the “Contingent Fees Rule” (ET sec. 1.510.001).”
- Experts providing expert testimony are not allowed to have a contingency fee agreement for the engagement
- Change in language
 - Expert opinion – now references serving as a witness. This is further explained by the AICPA to include preparation of a report or testimony from a member where it can be assumed a third party will rely on the opinion
 - Subject matter experts can have a contingent fee agreement with a client outside of dispute or litigation engagements

Per AICPA SSFS No. 1 paragraph 9.



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Material Change - Calculations of Value

- “When a member is engaged as an expert witness by one party in a litigation engagement to provide expert opinions, the member may not perform the work under AT-C section 215, Agreed-Upon Procedures Engagements (AUP Standard). When performing services under the AUP Standard, “the member does not perform an examination or a review and does not provide an opinion or conclusion.”

Per AICPA SSFS No. 1 paragraph 3.



Material Change - Calculations of Value (Cont.)

- Under the AUP Standard, “[A]n agreed-upon procedures engagement is one in which a practitioner is engaged to issue, or does issue, a practitioner’s report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner’s findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner.” Note that it is the specified parties that determine the appropriate procedures, and it is not an agreement between the practitioner and the specified parties of the appropriate procedures to be performed. “Specified parties are responsible for the sufficiency (nature, timing, and extent) of the agreed-upon procedures because they best understand their own needs.”
- Discussions with AICPA Litigation Chair – Calculations of Value do not fall under the AUP Standard.

Per AICPA SSFS No. 1 paragraph 3.



Material Change - Calculations of Value (Cont.)

- If the analysis falls under the AUP Standard, the analysis does not result in the member's opinion or conclusion.
- This restriction does not apply to members when they are engaged by the trier of fact or jointly by both sides in a dispute.
- In that situation the following language applies:
- “However, results may be reported under the AUP Standard in an engagement in which a member is engaged by the trier of fact or both sides of the dispute jointly, or both. In each scenario, this statement (i.e., SSFS) and the AUP Standard applies.”

Per AICPA SSFS No. 1 paragraph 3.



Material Change - Calculations of Value (Cont.)

- Finally, it is pointed out in the FAQs for the AICPA's Statement on Standards for Forensic Services (FS Section 100) that both SSFS 1 and the Statements on Standards for Valuation Services can apply to a member performing a valuation in "Litigation" or "Investigation" engagements. Both Standards are applicable, and we are already aware that the AICPA neither prohibits or endorses the use of a calculation engagement in a litigation setting.

Per AICPA Statement on Standards for Forensic Services FS Section 100 Frequently Asked Questions (FAQs), Non-Authoritative, FAQ No. 6.



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Clarification- Legal Conclusions

- “The ultimate decision regarding the occurrence of fraud is determined by a trier of fact; therefore, a member performing forensic services is prohibited from opining regarding the ultimate conclusion of fraud. This does not apply when the member is the trier of fact. A member may provide expert opinions relating to whether evidence is consistent with certain elements of fraud or other laws based on objective evaluation.”
- Key item of note: This restriction does not apply when the member is the trier of fact, i.e. an independent arbitrator.

Per AICPA SSFS No. 1 paragraph 10.



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Resources

- AICPA's Statement on Standards for Forensics Services No. 1
- https://www.aicpa.org/content/dam/aicpa/interestareas/forensican_dvaluation/resources/standards/downloadabledocuments/ssfs-no-1.pdf



NACVA International BV Standards Comparison Chart

Changes to the NACVA International Standards Comparison Chart

International 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.

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

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

The following Chart provides a comparison of the respective business valuation standards promulgated by the National Association of Certified Valuers and Analysts ("NACVA"), to the International Valuation Standards Council ("IVSC"), to the Royal Institution of Chartered Surveyors ("RICS"), and to the Chartered Business Valuers Institute ("CBV Institute"). Each set of standards is formatted differently and, to a certain extent, generally has more in common with one another than there are differences. Further, any supplemental information from these standards is generally provided verbatim from the applicable document.

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

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

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



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NACVA International BV Standards Comparison Chart

Updates to the NACVA International Standards Comparison Chart

Footnotes

- [IVS3] - Detailed, Summary Reports, Calculation, and Calculation Engagement
- [RIC1] - RICS Valuation-Global Standards (November 2019) ("Red Book") (effective January 31, 2020) reflects, among other things, the recent changes made and incorporated into the IVS 2019 (effective January 31, 2020) and relevant local market information RICS Valuation-Global Standards 2017 Jurisdiction Guide: USA (1st Edition) in May 2019
- [CBV1] - The CBV Institute (Formerly the “Canadian Institute of Chartered Business Valuators”)
- [CBV2] - In November 2019, the CBV issued International Valuation Standards – A Bridge from CBV Institute Practice Standards to IVS



International Valuation Standards Update

Summary of Significant IVS Changes

- New Definitions **Added** To IVS Glossary
- Definitions **Not Added** To IVS Glossary
- Changes to IVS 102 Investigations & Compliance
- Changes to IVS 103 Reporting
- Changes to IVS 105 Valuation Approaches & Methods

Per IVS 2017 Proposed Revisions, IVS 2017 Additional Technical Revisions, and Non-Financial Liabilities Basis for Conclusions



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International Valuation Standards Update

New Definitions Added to IVS Glossary

Valuation - A “valuation” refers to the act or process of determining an estimate of value of an asset or liability by applying IVS. See IVS Glossary 20.14.

Value (n) - The word “value” refers to the judgement of the valuer of the estimated amount consistent with one of the bases of value set out in IVS 104 Bases of Value. See IVS Glossary 20.16.

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. See IVS Glossary 20.3.

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. See IVS Glossary 20.4.

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.* See IVS Glossary 20.9.



International Valuation Standards Update

Definitions NOT ADDED to IVS Glossary

“Assignment” - felt that the inclusion of this definition could cause issues in business valuation and financial instruments where assignment could be defined differently. Consequently, the Boards decided to delay the inclusion of this definition in order to discuss additional potential issues.

“Calculation” OR “Calculation Engagement” - given the significant diversity in responses, the Boards determined that IVS should not define “Calculation” and “Calculation Engagement” at this time. The respondents believed a “Calculation” should not be compliant with IVS or only be compliant if significant disclosures and qualifications were made by the valuer. ****See Additional language added as IVS 105, Section 10.9 and 10.10 discussed later which are very similar to a calculation or calculation engagement****



International Valuation Standards Update

ADDITIONS & DELETIONS to IVS 102 Investigations & Compliance

Revised IVS 102, Section 20.4: When a valuation assignment involves reliance on information supplied by a party other than the valuer, consideration should be given as to whether the information is credible or that the information may otherwise be relied upon without adversely affecting the credibility of the valuation opinion. Significant inputs provided to the valuer (e.g., by management/owners) may require consideration **should be considered, investigated and/or corroborated.** investigation and/or corroboration. **In cases where credibility or reliability of information supplied cannot be supported, consideration should be given as to whether or how such information is used.**

Revised IVS 102, Section 20.7: If, during the course of an assignment, it becomes clear that the investigations included in the scope of work will not result in a credible valuation, or information to be provided by third parties is either unavailable or inadequate, **or limitations on investigations are so substantial that the valuer cannot sufficiently evaluate the inputs and assumptions,** the valuation assignment will not comply with IVS.



International Valuation Standards Update

ADDITIONS & DELETIONS to IVS 103 Reporting

Revised IVS 103, Section 30.1: Where the report is the result of an assignment involving the valuation of an asset or assets, the report must convey the following, at a minimum:

- (a) the scope of the work performed
- (b) **the intended use**
- (c) the approach or approaches adopted
- (d) the method or methods applied
- (e) the key inputs used
- (f) the assumptions made
- (g) the conclusion(s) of value and principal reasons for any conclusions reached, and
- (h) the date of the report (which may differ from the valuation date).



International Valuation Standards Update

ADDITIONS & ~~DELETIONS~~ to IVS 105 Valuation Approaches & Methods

IVS 105, Section 10.5 While this standard includes discussion of certain methods within the Cost, Market and Income approaches, it does not provide a comprehensive list of all possible methods that may be appropriate. ~~Some of the many methods not addressed in this standard include option pricing methods (OPMs), simulation/Monte Carlo methods and probability-weighted expected return methods (PWERM).~~ It is the valuer's responsibility to choose the appropriate method(s) for each **valuation** engagement. Compliance with IVS may require the valuer to use a method not defined or mentioned in the IVS.

IVS 105, Section 10.9 In certain circumstances, the valuer and the client may agree on the valuation approaches, methods and procedures the valuer will use or the extent of procedures the valuer will perform. Depending on the limitations placed on the valuer and procedures performed, such circumstances may result in a valuation that is not IVS compliant.

IVS 105, Section 10.10: A valuation may be limited or restricted where the valuer is not able to employ the valuation approaches, methods and procedures that a reasonable and informed third party would perform, and it is reasonable to expect that the effect of the limitation or restriction on the estimate of value could be material.



Valuation Standards and COVID-19

➤ Date of Valuation

- “Known or Knowable” – At what date should COVID-19 be taken into consideration in a valuation report?
- “Subsequent Events” – Refer to AICPA VS Section 100 Subsequent Event Toolkit, which provides FAQs and sample disclosures

➤ Although it may be difficult to determine the short- and long-term impact on the value of a private business as a result of COVID-19, company value will still be determined using the three commonly accepted valuation approaches:

- Income approaches
- Market approaches
- Asset approaches

➤ Valuation situations during COVID-19, including estate and gift, mergers and acquisitions, marital dissolutions, ESOPs, etc.



NACVA Standards Board Tentative Q&A's

Are free/online valuations that don't utilize professional judgement allowed under NACVA standards?



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NACVA Standards Board Tentative Q&A's

Can I prepare spreadsheets that estimate value but are not part of either a calculation report or a conclusion of value report?



NACVA Standards Board Tentative Q&A's

Can a letter and underlying schedules be attached to an oral report?



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NACVA Standards Board Tentative Q&A's

Does the fact that a member may rely upon information provided by any source without corroboration if disclosed safeguard an expert's testimony or the underlying financial data for which it is based upon from being ruled less reliable or unreliable by a trier of fact?



NACVA Standards Board Tentative Q&A's

Does an agreement with a member's client provide a safe harbor allowing a member to ignore professional judgement or scope limitations which affect the level of reliance on the information?



NACVA Standards Board

Tentative Q&A's

Does a member's election to perform a calculation provide a safe harbor allowing a member not to take responsibility for the appropriateness of the valuation approaches and procedures agreed between the member and the client or ignore professional judgement?



THANK YOU

Disclaimer: It is important to note that while 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

