

BUSINESS VALUATION CANDIDATE GUIDELINES FOR SUBMITTING REPORTS

Effective December 2008, only one appraisal report is required for BV Candidates.

Enclosed are the following documents:

- **ASA BV Report Review Checklist**
- **Guide to Professional Accreditation**

You will also need the following:

- **Uniform Standards of Professional Appraisal Practice (USPAP)**
- **ASA Principles of Appraisal Practice and Code of Ethics (Sections 6.2 and 8)**
- **Business Valuation Standards downloaded from <http://www.bvappraisers.org/standards/bvstandards.pdf>**

These documents should be used by you to ensure that your reports meet the criteria for written appraisal reports. These same documents are used by examiners in reviewing reports and determining whether a Candidate's reports meet the requirements for accreditation.

Review the Report Review Checklist and the "Guide to Professional Accreditation" to determine whether you have met the requirements for accreditation. In the "Guide to Professional Accreditation," there is a checklist of the documentation you must present for accreditation.

The experience requirement is discussed on pages 10 through 12 of the "Guide to Professional Accreditation." Examiners will be reviewing your application to determine whether you have the required amount of full-time appraisal experience. Your appraisal experience may be documented in one of two ways:

- 1) An appraisal log – If you are using work experience that is not direct appraisal experience to meet the appraisal experience requirement, you must demonstrate to the examiners that the work you performed had the purpose of determining value. Many of the activities that are a part of the appraisal process are not considered appraisal experience if their purpose is not to determine value. The percentage of your time that is spent in the act or process of estimating value and quantifying it in the business appraisal portion would qualify as appraisal experience; the percentage of your time spent providing other services related to the transaction would be classified as collateral experience, which does not qualify as appraisal experience in ASA's accreditation process.
- 2) Letter signed by your supervisor or an ASA familiar with your work – In lieu of an appraisal log, BV examiners accept a letter, signed by your supervisor or and ASA, stating that you have met the experience requirement. One year of experience is equal to 2,000 hours of appraisal work. The number of years must be stated in the letter.

The ASA gives credit for one year of full-time-equivalent appraisal experience to Candidates who have five or more years of experience as a CPA (public accountancy), CFA or CBI.

Reviewing Appraisal Reports

Read the introduction to the report review checklist and complete the checklist carefully. The checklist is meant to communicate specific factors that should be considered in most reports. Completing this checklist should help you assess your report.

It is incumbent on you, the report writer, to make clear your reasoning, especially in areas that lack

universal acceptance.

Not all of the elements on the checklist are required or appropriate for every appraisal. However, your report must comply with the guidelines set by USPAP and the ASA BV Standards. Reports that do not meet these standards will not be accepted. Therefore, if your report does not, for example, include a valuation date, the purpose of the appraisal, a certification statement, or qualifications statements or if it is not signed by you, etc., it will not be approved.

If your report is not approved, the examiner will provide you with a list of PASS/FAIL items omitted, if any, and specific reasons why your report was not accepted. You may also receive constructive comments if your report passes. These comments are meant to help you improve your reports.

Critical Points to Remember Regarding Reports

Just because a report contains all of the information noted in the checklist does not mean that it will necessarily be approved. The report must be supported, logically consistent, and replicable by the grader in order to pass. Also, superficial inclusion in the report of the individual items in the checklist (e.g., two sentences about Management or Competition) may be wholly insufficient to convey to the reader of the report the relevance of these items to the valuation and its findings. This is a common error in many reports that are submitted. The reader of the report should be able to come with a full and comprehensive understanding of the company being valued, its risks and opportunities, factors internal and external to it, and a full understanding of how and why the appraiser took the steps he or she did in assessing the Company and arriving at a valuation conclusion.

Candidates should be careful to ensure that their reports fully document all of the adjustments and other steps taken in arriving at valuation findings, including careful citation of all sources relied upon. The report must stand on its own such that a reader could fully reproduce every adjustment, calculation and source of information in the report without having to talk to the appraiser or review their work papers. Reports that do not meet this acid test will not pass, regardless of discussing the items in the checklist.

Report Submittal Guidelines

Complete narrative reports such as would be written for gift-tax-related, estate-tax-related or ESOP purposes are the best types of reports to submit for review. One report must be submitted. In order to successfully meet the report review criteria, the report submitted must include a comprehensive business valuation report or a “discount study” or technical report (e.g., FLP, LLC, intangible asset, or allocation of purchase price valuation). **Please note that since January 1, 2006 FLP or LLC “discount” reports are not accepted by the BV International Board of Examiners. One of the reports, however, may be an intangible asset valuation.**

As of January 1, 2008:

- **Operating business valuation reports – The report submitted must include the use of both the income approach AND the market approach (this is required in a report for an operating business, not for a holding company, FLP or intangible asset valuation). Based on the facts and circumstances, it is up to the candidate which method(s) within each of those approaches is used (e.g., merger and acquisition or guideline public company methods under the market approach, or the capitalization or discounted future income methods under the income approach). However, the report must contain at least one method under each of these two approaches.**
- **Intangible asset valuation reports – An intangible asset valuation report must**

- involve the valuation of the enterprise or operating unit or it will not be accepted.**
- **Reports must be complete narrative reports. Summary reports will not be accepted. Lost profits and damages types of reports will only be accepted as valuation reports if they involve a valuation of the enterprise or an interest in the enterprise (e.g., but for the damage the fair market value of the shares would have been \$x).**

If your practice area or your firm report format or policy makes it difficult to write a complete narrative report, you may submit a report that is based on actual appraisal assignments, but for which the written output was expanded beyond the scope required or requested by the client. These “demonstration” reports must be identified with an explanation as to which portions of the written reports differ from what was received by the client and why.

You will be required to sign an affirmation that the report was prepared by you and is either an actual or demonstration report, whichever is appropriate (see enclosed forms).

If the report does not pass, the applicant must submit a new report. However, a report may be resubmitted if the BV vice chair of the Board of Examiners decides that a report that failed for one or more technical issues (such as lack of a signature, missing page or exhibit, etc.) may be corrected and resubmitted.

Submitted reports shall not be more than two years old. This refers to the date the report was issued, not the valuation date.

The accreditation process takes time. It is conducted largely by volunteers and is dependent on a sequence of steps. You must have successfully completed the ethics and USPAP exams and the Principles of Valuation courses before you can submit your report for review. Thus, you need to be sure your file is complete when you submit your report.

Your local chapter has 60 days to review your application for accreditation. You will be notified when the National Office receives your file. The initial examiner is requested to complete his or her review of a Candidate’s file within 40 days. Then the file is sent to a second reviewer, who is also requested to complete the review in 40 days. Your report and your checklist will be returned to you upon completion of the review. If your appraisal experience and report are accepted, you will be notified that you have achieved accreditation. If they are not accepted, you will be advised of the problems, and comments from the examiner will be included.

Affirmation Statement for Appraisal Reports Submitted to ASA

I hereby affirm and certify that the appraisal report I have submitted was primarily prepared by me and is a copy of an actual report prepared for an actual client.

I hereby affirm and certify that the statements contained herein are truthful, and if approved for a designation, I agree to abide by ASA's constitution, bylaws, administrative rules, principles of appraisal practice and code of ethics and by the provisions of the Uniform Standards of Professional Practice of the Appraisal Foundation.

Signature of Applicant _____

Date _____

Affirmation Statement for Demonstration Appraisal Reports Submitted to ASA

I hereby affirm and certify that the demonstration appraisal report I have submitted was primarily prepared by me and is based on an actual report prepared for an actual client.

It is recognized by the ASA that a Candidate may work in a practice area or for a company or government agency where there is a policy or firm report format that specifically precludes the inclusion of one or more of the pass/fail items noted in the checklist in appraisal reports. *In such a case, the Candidate is allowed to expand the original report to make it a demonstration report. A demonstration report is a report prepared by the Candidate, for an actual client, that has been expanded to include items required by the ASA that were not included in the original report because of a company policy. If a Candidate submits a demonstration report, then he or she must clearly indicate that it is a demonstration report and state why a demonstration report is being submitted, including the company policies that limited the completeness of the report.*

I hereby affirm and certify that the statements contained herein are truthful, and if approved for a designation, I agree to abide by ASA's constitution, bylaws, administrative rules, principles of appraisal practice and code of ethics and by the provisions of the Uniform Standards of Professional Practice of the Appraisal Foundation.

Signature of Applicant _____

Date _____