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COMPARISON OF THE BUSINESS VALUATION DEVELOPMENT STANDARDS AMONG ORGANIZATIONS

By **Tia R. Hutton** | Manager, Portland
Elizabeth Jones | Associate, Portland

Business valuation standards are promulgated by different authoritative bodies to create specific guidance for valuation analysts to improve quality and consistency. Each organization requires its members to adhere to its standards. However, navigating the different organizations and their standards can be difficult. This article explores how the standards align and diverge in defining business valuation development practices.

Introduction

Business valuation standards developed by leading authoritative bodies—American Institute of Certified Public Accountants ("AICPA"), National Association of Certified Valuation Analysts ("NACVA"), The Appraisal Foundation, and American Society of Appraisers ("ASA")—provide for consistent, transparent, and quality valuation practices. These standards guide valuation analysts in the valuation of businesses, business ownership interests, securities, or intangible assets (collectively referred to as "business valuations" or "appraisals").

Each organization mandates that members[1] adhere to strict ethical and professional conduct guidelines, recordkeeping rules, and standards for developing and reporting business valuations. However, exceptions may preclude a valuation analyst from adhering to the standards. (For example, the jurisdictional exception precludes a valuation analyst from complying with a standard if it conflicts with governmental, judicial, or accounting authority; or other authority that specifies valuation development or reporting procedures). If used, the exception(s) must be disclosed.

Therefore, it is essential for valuation analysts to understand and adhere to the standards of the organizations for which they are members. Although this is true in all contexts, this can be particularly true in a litigated context, where valuations are often subject to intense scrutiny. In litigation, noncompliance with applicable standards can expose a valuation analyst to challenges from opposing counsel, who may highlight any lack of compliance as a means of discrediting the business valuation. Further, noncompliance could expose valuation analysts to challenges regarding admissibility in court. For attorneys, familiarity with the applicable standards can serve as an effective strategy; an expert's adherence to professional guidelines allows for an informed evaluation of the reliability of a valuation submitted by an opposing expert or, conversely, for pinpointing weakness in an opposing valuation analysis.

The organizations and their respective business valuation standard are presented in Table 1.

Table 1
Business Valuation Standards by Organization

Organization	Standard
AICPA	Statement on Standards for Valuation Services No. 1, *Valuation of Business Ownership Interest, Security, or Intangible Asset*
NACVA	*Professional Standards*
The Appraisal Foundation—Appraisal Standards Board	*Uniform Standards of Professional Appraisal Practice*
ASA	*Business Valuation Standards*

The *Uniform Standards of Professional Business Practice* ("USPAP"), developed by The Appraisal Foundation, is a widely recognized multidisciplinary standard for appraisal practice in the United States. USPAP was adopted by Congress in 1989 and covers appraisals of various asset classes, including real estate, personal property, businesses, and mass appraisal. Compliance is required for state-licensed and state-certified appraisers in federal real estate transactions.[2] Standards 9 and 10 establish the requirements for developing and reporting business valuations (Standards 1 through 8 address real property, real estate, and personal property appraisals.) In the context of business valuation, members of ASA must comply with ASA *Business Valuation Standards* ("BVS") and USPAP. Because USPAP is widely recognized, members of organizations outside of ASA sometimes choose to follow USPAP Standards 9 and 10 when performing business valuations; however, it is not a requirement.[3]

Another organization that is recognized by the appraisal industry is the International Valuation Standards Council ("IVSC"). The IVSC is an independent organization that sets standards for valuation practices, including those relevant to business valuations. Although IVSC standards are not mandated by U.S. organizations, they serve as an influential framework for consistent valuation practices worldwide, which may be important for cross-border transactions and international valuation consistency.

When discussing requirements of appraisers, Revenue Ruling 59-60 is a key consideration. This federal guideline from the Internal Revenue Service ("IRS") establishes principles for valuing closely held business interests for estate and gift valuations for federal tax purposes. Practitioners tasked with these valuations are expected to adhere to the principles detailed in Revenue Ruling 59-60. Although Revenue Ruling 59-60 emphasizes fundamental valuation principles, such as considering economic conditions, the nature of business, and a company's earning potential, like those set forth by AICPA, NACVA, The Appraisal Foundation, and ASA, there are critical differences valuation analysts must consider when developing an analysis in compliance with Revenue Ruling 59-60.

While Revenue Ruling 59-60 is a respected authority for tax-related valuations of closely held companies, it does not include the procedural scope and ethical components that are established by AICPA, NACVA, The Appraisal Foundation, or ASA. Therefore, many practitioners performing valuations for tax compliance purposes often reference both Revenue Ruling 59-60 and the standards of their respective organizations. This approach not only enhances compliance with IRS expectations but also improves the overall quality and defensibility of the valuations produced. However, it is crucial to understand that Revenue Ruling 59-60 operates independently of the aforementioned professional standards, making it a separate framework in the context of valuations for tax-related purposes.

This article compares the business valuation development standards of the AICPA, NACVA, The Appraisal Foundation, and ASA and provides a structured overview of each organization's approach to developing business valuations.

Development Standard Comparison

In the context of business valuation, "development standards" refer to the guidelines and principles that govern how valuation analysts assess and develop an opinion of the value of businesses, ownership interests, securities, or intangible assets. These standards provide only the minimum requirement necessary in the development of business valuations. As discussed in each standard, valuation analysts should consider all information deemed to be relevant. Although the standards provide structure in the development of business valuations, each organization acknowledges the importance of professional judgment and consideration of the facts and circumstances of the engagement.

While this discussion focuses on development standards, it is important to recognize the relationship between these and reporting standards. Reporting standards serve as a means through which the findings of the valuation analysis are communicated. In many respects, the reporting standards articulate the principles of the development standards, translating technical analysis into a format that is understandable.

Types of Engagements

Each organization requires the valuation analyst to specify the type of engagement in advance, providing transparency regarding the scope and depth of the work performed. AICPA Statement on Standards for Valuation Services No. 1, *Valuation of Business Ownership Interest, Security, or Intangible Asset* ("SSVS VS Section 100,") NACVA *Professional Standards*, and ASA BVS identify types of engagements, each governed by specific standards. This differentiation ensures that clients understand the level of detail, analysis, and compliance with standards that each engagement entails.

The primary types of engagements discussed by these standards are (1) the valuation engagement (referred to as an "appraisal" by the ASA), (2) the calculation engagement, and (3) the limited appraisal.

- Valuation Engagement (Appraisal under ASA): In a valuation engagement, the valuation analyst has the freedom to decide and apply the most suitable valuation approaches and methods based on the specific circumstances of the valuation. This type of engagement is generally more comprehensive as it adheres to all relevant standards required to develop a business valuation.
- Calculation Engagement: A calculation engagement involves the analyst working within the constraints of an agreement made with the client. This agreement outlines the specific approaches, methods, or valuation techniques to be applied, resulting in a calculation of value rather than a conclusion of value. Because of its narrower scope, a calculation engagement does not require adherence to the full set of standards that apply to a valuation engagement. Calculation engagements are typically less comprehensive and may not reflect the full extent of value under unrestricted analysis. USPAP Standards 9 and 10 do not apply to calculation engagements because they are not considered an appraisal.
- Limited Appraisal: The ASA also recognizes limited appraisals. Limited appraisals are intended to provide an estimate of value, with limited information and procedure requirements to collect and analyze the information. In contrast to a calculation engagement, in a limited appraisal, the valuation analyst has the discretion to choose the valuation approaches and methods deemed most appropriate to the engagement. SSVS VS Section 100, *Professional Standards*, and USPAP do not specifically mention limited appraisals, but each organization provides guidance for disclosing scope limitations or a lack of information.

As mentioned above, valuation engagements are typically more comprehensive than calculation engagements or limited appraisals and should reflect the fullest extent of the development standard. As such, the comparison of the development standards provided in this article is predominantly focused on valuation engagements. These standards may not apply to calculated engagements or limited appraisals.

The following tables provide a presentation of the development standards established by AICPA, NACVA, The Appraisal Foundation, and ASA at the time of writing. It is the valuation analyst's responsibility to familiarize themselves with the relevant standards and stay updated because these standards evolve over time. Each set of standards addresses key elements of business valuation but differs in scope, structure, and specific guidelines. The comparisons are based on our professional judgment, and the tables are intended for illustrative purposes only. The tables may not be presented in order relative to specific standards. Reference to the specific standard is notated in parentheses after each standard.

If a development standard for an organization is left blank, it is because, in our opinion, there was no comparable standard within the respective organization's development standards. However, this does not mean that members of that organization can necessarily disregard the consideration of such a standard. As outlined in the standards of all the organizations, valuation analysts should evaluate all relevant information when developing their opinions of value. Furthermore, even if a specific item is not explicitly addressed in the development standards, it may be covered or reasonably inferred as a requirement under the organization's ethical and professional conduct guidelines or elsewhere within its guidelines.

Table 2a
Development Standards

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Assignment Identification	See Tables 3a and 3b	See Tables 3a and 3b	*Problem Identification*: See Tables 3a and 3b	*Appropriate definition of assignment:* See Tables 3a and 3b
Expression of Value	The valuation engagement results in a conclusion of value. The calculation engagement results in a calculated value. (paragraph .21) The results of the valuation or the calculated value can be expressed as a range or as a single amount. (paraphrased from paragraph .21 a-b)	Value can be expressed as single number or range. A valuation analyst must avoid bias in development of a conclusion of value or a calculated value. (Section IV. B)	An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value). (Definitions)	The results or conclusion of value for appraisals, limited appraisals, and calculations may be expressed as either a single dollar amount or a range. (paraphrased from BVS-I, Section II C 1-3)
Scope Limitations	*Scope Restrictions or Limitations:* A restriction or limitation on the scope of the valuation analyst's work, or the data available for analysis, may be present and known to the valuation analyst at the outset of the valuation engagement or may arise during the course of a valuation engagement. Such a restriction or limitation should be disclosed in the valuation report (paragraph .19)	*Scope Limitations:* A member/credentialed designee must consider the scope limitations which affect the level of reliance on the information. (Section IV. D)	Determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE (Standard Rule 9-2(h)) Per the SCOPE OF WORK RULE, the credibility of assignment results is always measured in the context of the intended use.	The ASA BVS addresses scope restrictions or limitations through the requirement to disclose engagement type and extraordinary assumptions
Using the Work of a Specialist	*Using the Work of Specialists in the Engagement to Estimate Value:* In performing an engagement to estimate value, the valuation analyst may rely on the work of a third party specialist (for example, a real estate or equipment appraiser). The valuation analyst should note in the assumptions and limiting conditions the level of responsibility, if any, being assumed by the valuation analyst for the work of the third party specialist. At the option of the valuation analysts, the written report of the third party specialists may be included in the valuation analyst's report. (paragraph .20)	*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/credentialed designee's responsibility should be documented. (Section IV. E)		

Table 2b
Development Standards—Continued

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Data Reliability		*Reliability of Data:* A member/credentialed designee may rely on information provided by any source without corroboration if disclosed in the report. (Section IV. C)		
Valuation/Fundamental Analysis	*Analysis of the Subject Interest:* See Tables 4a through 4d	*Fundamental Analysis*: See Tables 4a through 4d	Per the SCOPE OF WORK RULE, the scope of work must include the research and analyses that are necessary to develop credible assignment results. See Tables 4a through 4d	*Information collection and analysis:* See Tables 4a through 4d
Valuation Approaches and Methods	Consider and apply appropriate valuation approaches and methods (paragraphs .23)	*Approaches and Methods:* Valuation methods are commonly categorized into the asset-based, market, income, or combination of these approaches. Professional judgment is used to select the approaches and methods that best indicate the value. Rules of thumb are acceptable as reasonableness checks, but should not be used as stand-alone method. (Section IV. F)	An appraiser must be aware of, understand, and correctly employ those recognized approaches, methods and procedures that are necessary to product a credible appraisal (Standard Rule 9-1(a))	The appraiser shall select and apply appropriate valuation approaches, methods, and procedures (BVS-I, Section IV A)
Documentation and Retention	Prepare and maintain appropriate documentation (paragraph .23) Documentation is the principal record of information obtained and analyzed, procedures performed, valuation approaches and methods considered and used, and conclusion of value. The quantity, type, and content of documentation are matters of the valuation analyst's professional judgment. The valuation analyst should retain the documentation for a period of time sufficient to meet the needs of applicable legal, regulatory, or other professional requirements for records retention. (paragraph .44 and .45)	*Documentation:* Quantity, type, and content of documentation are matters of the member's/credentialed designee's professional judgment. Members/credentialed designees should retain documentation for a sufficient time period to comply with legal, regulatory, and professional requirements. NACVA recommends a minimum of five years. (Section II. J)	The appraiser must prepare a work file, which must include the name of the client and any other intended users; true copies of all 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; and all other data, information, and documentation necessary to support the appraiser's opinion and conclusions or references to the location(s) of such data, information, or documentation. (paraphrased from the RECORD KEEPING RULE)	The appraiser shall appropriately document and retain all information relied on and the work product used in reaching a conclusion (BVS-I, Section V)
Errors and Negligence			Not commit a substantial error of omission or commission that significantly affects an appraisal (Standard Rule 9-1(b)) Not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results (Standard Rule 9-1(c))	

Table 3a
Development Standards
Identification

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Intended Users	Intended use of the valuation (paragraph .25)	Intended users (Section IV. G 7)	Identify the client and other intended users (Standard Rule 9-2 (a))	The client and other intended users (BVS-I, Section II B 1)
Intended Use	Intended use of the valuation (paragraph .25)	Purpose and use of the valuation (Section IV. G 4)	Identify the intended use of the appraiser's opinions and conclusions (Standard Rule 9-2 (b))	The purpose or intended use of the appraisal (BVS-I, Section II B 2)
Standard of Value	Applicable standard of value (paragraph .25)	Standard of value (Section IV. G 5)	Identify the standard (type) and definition of value and the premise of value (Standard Rule 9-2 (c))	The standard of value applicable to the valuation (e., fair market value, fair value, investment value, or other) (BVS-I, Section II B 9)
Premise of Value	Applicable premise of value (paragraph .25)	Premise of value (Section IV. G 6)	In developing an appraisal of an interest in a business enterprise with the ability to cause liquidation, an appraiser must investigate the possibility that the business enterprise may have higher value by liquidation of all or part of the enterprise than by continued operation as is. If liquidation of all or part of the enterprise is the indicated premise of value, an appraiser of any real property or personal property to be liquidated may be appropriate. (Standard Rule 9-3)	The premise of value (e.g., going concern, liquidation, or other) (BVS-I, Section II B 10)
Valuation Date	Valuation date (paragraph .25)	Valuation date (Section IV. G 3)	Identify the effective date of the appraisal (Standard Rule 9-2(d))	The effective (or "as of") date of the appraisal (BVS-I, Section II B 12)
Assumptions and Limiting Conditions	Assumptions and limiting conditions (paragraphs .25) Also referenced in paragraphs .18, *Assumptions and Limiting Conditions*; and .44, *Documentation*	Assumptions, limiting conditions, and scope limitations (Section IV. G 9)	Identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an assignment only if: (i) it is required to properly develop credible opinions and conclusions; (ii) the appraiser has a reasonable basis for the extraordinary assumption; and (iii) use of the extraordinary assumption results in a credible analysis (Standard Rule 9-2(f))	Any extraordinary assumptions used in the assignment (BVS-I, Section II B 13)
Regulations	Applicable governmental regulations or other professional standards (paragraph .25)			

Table 3b
Development Standards
Identification—Continued

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Characteristics of Subject Interest	Nature of subject interest (paragraph .25) See reference to paragraph .27, *Nonfinancial Information* presented in Table 4a *Ownership Information*: The valuation analyst should obtain, where applicable and available, ownership information regarding the subject interest to enable him or her to determine the type of ownership interest being valued and ascertain whether that interest exhibits control characteristics; analyze the different ownership interests of other owners and assess the potential effect on the value of the subject interest; understand the classes of equity ownership interests and rights attached thereto; understand the rights included in, or excluded from, each intangible asset; understand other matters that may affect the value of the subject interest, such as the following: For a business, business ownership interest, or security: shareholder agreements, partnership agreements, operating agreements, voting trust agreements, buy-sell agreements, loan covenants, restrictions, and other contractual obligations or restrictions affecting the owners and the subject interest. For an intangible asset: legal rights, licensing agreements, sublicense agreements, nondisclosure agreements, development rights, commercialization or exploitation rights, and other contractual obligations. (paragraph .28)	Subject to be valued (Section IV. G 1) Interest to be valued (Section IV. G 2) Ownership size, nature, restrictions and agreements (Section IV. G 10)	Identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the subject property that are relevant to the standard (type) and definition of value and intended use of the appraisal, including: (i) the subject business enterprise or intangible asset, if applicable; (ii) the interest in the business enterprise, equity, asset, or liability to be valued; and the attributes of the interest being appraised, including the rights and benefits of ownership; (iii) all buy-sell and option agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and similar features or factors that may have an influence on value; (iv) the extent to which the interest contains elements of ownership control; and (v) the extent to which the interest is marketable and/or liquid (Standard Rule 9-2(e)) Also see Standard 9-4(c) as presented in Table 4a	Business enterprise to which the valuation relates (BVS-I, Section II B 4) The type of entity (e.g., corporation, limited liability company, partnership or other) (BVS-I, Section II B 5) The state or jurisdiction of incorporation, if applicable (BVS-I, Section II B 6) The principal business location (or headquarters) (BVS-I, Section II B 7) Business interest under consideration (BVS-I, Section II B 8) The level of value (e.g., strategic control, financial control, marketable minority, or nonmarketable minority) in the context of the standard of value, the premise of value, and the relevant characteristics of the interest (BVS-I, Section II B 11)
Valuation Approaches and Methods	Consider and apply appropriate valuation approaches and methods (paragraphs .23)	Valuation approaches and methods (Section IV. G 8)	An appraiser must be aware of, understand, and correctly employ those recognized approaches, methods and procedures that are necessary to product a credible appraisal (Standard Rule 9-1(a))	The appraiser shall select and apply appropriate valuation approaches, methods, and procedures (BVS-I, Section IV A)
Sources of Information[4]		Sources of information (Section IV. G 11)		

Table 4a
Development Standards
Valuation/Fundamental Analysis

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Analyze Relevant Information	In analyzing the subject interest, the valuation analyst should consider financial and nonfinancial information. The type, availability, and significance of such information vary with the subject interest. (paragraph .26) Sources of information is also addressed in paragraphs .27, *Nonfinancial Information*; .28, *Ownership Information;* and .29, *Financial Information*	For a Conclusion of Value, the member/credentialed designee must obtain and analyze applicable information, as available, to accomplish the assignment (Section IV H)	[An] appraiser must collect and analyze all information necessary for credible assignment results. (Standard Rule 9-4)	The appraiser shall gather, analyze and adjust the relevant information necessary to perform a valuation appropriate to the nature or type of the engagement. [This includes BVS-I, Section III A-I] (BVS-I, Section III)
Analyze Nature and History of the Company	*Nonfinancial Information:* The valuation analyst should, as available and applicable to the valuation engagement, obtain sufficient nonfinancial information to enable him or her to understand the subject entity, including the following: nature, background, history; facilities; organizational structure; management team (which may include officers, directors, and key employees); classes of equity ownership interests and rights attached thereto; products or services, or both; economic environment; geographic markets; industry markets; key customers and suppliers; competition; business risks; strategy and future plans; and governmental or regulatory environment (paragraph .27)	The nature of the business and the history of the enterprise (Section IV. H 1)	The nature and history of the business enterprise or intangible asset (Standard Rule 9-4 (b)(i))	The nature, history and outlook of the business (BVS-I, Section III B)
Analyze Relevant Economic and Industry Information	See reference to paragraph .27, *Nonfinancial Information,* above	The economic outlook in general and the condition and outlook of the specific industry in particular (Section IV. H 2)	Financial and economic conditions affecting the business enterprise or intangible asset, its industry, and the general economy (Standard Rule 9-4 (b)(ii))	The nature and conditions of relevant industries that have an impact on the business (BVS-I, Section III E) Economic factors affecting the business (BVS-I, Section III F)
Analyze Prior Transactions or Transfers of Ownership Interests in the Company	See reference to paragraph .29, *Financial Information*, below	Prior sale of interests in the enterprise being valued (Section IV. H 7)	Past sales and other transfers of capital stock or other ownership interests in the business enterprise or intangible asset being appraised (Standard Rule 9-4 (b)(iv))	Prior transactions involving the subject business, or involving interests in, the securities of, or intangible assets in the subject business (BVS-I, Section III H)

Table 4b
Development Standards
Valuation/Fundamental Analysis—Continued

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Analyze Market Data	Addressed in paragraph .36, *Market Approach* Also, see reference to paragraph .29, *Financial Information,* above	The market prices of interests or enterprises engaged in the same or similar line of business having interests actively traded in free and open market (Section IV. H 9)	Sales and other transfers of capital stock or other ownership interests in similar business enterprises (Standard Rule 9-4 (b)(v)) Prices, terms, and conditions affecting past sales and other transfers of similar ownership interests in the asset being appraised or similar asset (Standard Rule 9-4 (b)(vi))	Capital markets providing relevant information; e.g., available rates of return on alternative investments, relevant public stock market information and relevant merger and acquisition information (BVS-I, Section III G)
Analyze Relevant Financial Information	*Financial Information:* The valuation analyst should obtain, where applicable and available, financial information on the subject entity such as the following: historical financial information (including annual and interim financial statements and key financial statement ratios and statistics) for an appropriate number of years; prospective financial information (for example, budgets, forecasts, and projections); comparative summaries of financial statements or information covering a relevant time period; comparative common size financial statements for the subject entity for an appropriate number of years; comparative common size industry financial information for a relevant time period; income tax returns for an appropriate number of years; information on compensation for owners including benefits and personal expenses; information on key man or officers' life insurance; and management's response to inquiry regarding the following: advantageous or disadvantageous contracts; contingent or off-balance-sheet assets or liabilities; and information on prior sales of company stock (paragraph .29) The valuation analysts should read and evaluate the information to determine that it is reasonable for purposes of the engagement. (paragraph .30)	The adjusted book value of the interest to be valued and the financial condition of the enterprise (Section IV. H 3) The earnings capacity of the enterprise (Section IV. H 4) The dividend paying capacity of the enterprise (Section IV. H 5) Whether or not the enterprise has goodwill or other intangible value (Section IV. H 6)	Past results, current operations, and future prospects of the business enterprise (Standard Rule 9-4 (b)(iii)) Economic benefit of tangible and intangible assets (Standard Rule 9-4 (b)(vii))	Historical financial information for the business (BVS-I, Section III C) Assets and liabilities of the business (BVS-I, Section III D) As a procedure in the valuation process, financial statements should be analyzed and, if appropriate, adjusted. Financial statements to be analyzed include those of the subject entity and any entities used as guideline companies. (BVS-II, Section II A) Note: BVS-II Financial Statement Adjustments, applies to "appraisals and may not necessarily apply to limited appraisals and calculations as defined in BVS-I General Requirements for Developing Business Valuation, Section II.C." (BVS-II, Section I C)

Table 4c
Development Standards
Valuation/Fundamental Analysis—Continued

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Analyze the Characteristics of the Subject Interest	*Valuation Adjustments*: During the course of a valuation engagement, the valuation analyst should consider whether valuation adjustments (discounts or premiums) should be made to a pre-adjustment value. Examples of valuation adjustments for valuation of a business, business ownership interest, or security include a discount for lack of marketability or liquidity and a discount for lack of control. (Paragraph .40) Also see reference to paragraph .28, *Ownership Information* presented in Table 3b and paragraph .29, *Financial Information* presented in Table 4b	Size of interest to be valued and its control, liquidity and marketability characteristics (Section IV. H 8)	An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any of buy-sell and option agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and similar features or factors that may influence value (Standard Rule 9-4 (c)) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of the extent to which the interest appraised contains elements of ownership control and is marketable and/or liquid. An appraiser must analyze factors such as holding period, interim benefits, and the difficulty of marketing the subject interest (Standard Rule 9-4 (d)) Also see reference to Standard Rule 9-2(e)(iii) presented in Table 3b	Characteristics of the business, business ownership interest, security or intangible asset to be valued, including rights, privileges, conditions, quantity, factors affecting control and agreements restricting sale or transfer (BVS-I, Section III A) Also see BVS-VII ,*Valuation Discounts and Premiums*
Hypothetical Conditions	Hypothetical conditions affecting the subject interest may be required in some circumstances. When a valuation analyst uses hypothetical conditions during a valuation or calculation engagement, he or she should indicate the purpose for including the hypothetical conditions and disclose these conditions in the valuation or calculation report. (paragraph .22)	Hypothetical conditions appropriate for the circumstances (Section IV. H 10)	Identify any hypothetical conditions necessary in the assignment. A hypothetical condition may be used in an assignment only if: (i) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and (ii) use of the hypothetical condition results in a credible analysis (Standard Rule 9-2(g))	Any hypothetical conditions used in the assignment (BVS-I, Section II B 14)

Table 4d
Development Standards
Valuation/Fundamental Analysis—Continued

	AICPA SSVS VS Section 100	NACVA *Professional Standards*	USPAP	ASA *Business Valuation Standards*
Subsequent Events	Generally, the valuation analyst should consider only circumstances existing at the valuation date and events occurring up to the valuation date. An event that could affect the value may occur subsequent to the valuation date; such an occurrence is referred to as a subsequent event. Subsequent events are indicative of conditions that were not known or knowable at the valuation date, including conditions that arose subsequent to the valuation date. The valuation would not be updated to reflect those events or conditions. Moreover, the valuation report would typically not include a discussion of those events or conditions because a valuation is performed as of a point in time—the valuation date—and the events described in this subparagraph, occurring subsequent to that date, are not relevant to the value determined as of that date. In situations in which a valuation is meaningful to the intended user beyond the valuation date, the events may be of such nature and significance as to warrant disclosure (at the option of the valuation analyst) in a separate section of the report in order to keep users informed (see paragraphs .52p, .71r, and .74). Such disclosure should clearly indicate that information regarding the events is provided for informational purposes only and does not affect the determination of value as of the specified valuation date. (paragraph .43)			
Conclusion of Value	In arriving at a conclusion of value, the valuation analyst should (a) correlate and reconcile the results obtained under the different approaches and methods used. (b) assess the reliability of the results under the different approaches and methods using the information gathered during the valuation engagement. (c) determine, based on items a and b, whether the conclusion of value should reflect (i) the results of one valuation approach and method, or (ii) a combination of the results of more than one valuation approach and method. (paragraph .42)		Reconcile the quality and quantity of data available and analyzed within the approaches, methods, and procedures used (Standard Rule 9-5(a)) Reconcile the applicability and relevance of the approaches, methods and procedures used to arrive at the value conclusions(s) (Standard Rule 9-5(b))	The conclusion of value reached by the appraiser shall be based on the applicable standard of value, the purpose and intended use of the valuation, and all relevant information available as of the valuation date in carrying out the type of engagement for the assignment. (BVS-VI, Section II A) See BVS-VI, *Reaching a Conclusion of Value* for the complete standard

Valuation Approaches and Methods

Under SSVS VS Section 100, *Professional Standards*, USPAP, and BVS, valuation analysts are required to consider and apply the appropriate valuation approaches and methods when conducting a valuation engagement. The three generally accepted valuation approaches in business valuation are: (1) the asset-based approach (sometimes referred to as the cost approach), (2) the market approach, and (3) the income approach.

These approaches are widely recognized and accepted by AICPA, NACVA, The Appraisal Foundation, and ASA and are addressed within the development standards of each organization. However, the level of guidance and context provided on the application of these approaches varies among organizations. Some offer detailed guidance, while others provide general principles. Nonetheless, all organizations emphasize the critical role of professional judgment in evaluation and applying these approaches to ensure well-supported and reliable analysis.

References to the standards relating to business valuation approaches and methods are as follows:

- AICPA SSVS VS 100, paragraphs .31 through .41

- NACVA *Professional Standards*, Section IV. F
- USPAP Standards Rule 9-1(a) and Standards Rule 10-2 (a)(xi)(2)
- ASA BVS-III; BVS-IV; BVS-V; BVS-IX, Section III; Statement on ASAS Business Valuation Standards (“SBVS”)-1; and SBVS-2

When applying the valuation approaches and methods, AICPA, ASA, and NACVA advise caution when relying on rules of thumb. Although these rules can be useful as a reasonableness check, they are generally not considered rigorous enough to serve as a stand-alone valuation method. Each organization provides guidance on the use of rules of thumb, emphasizing that they should only complement other more detailed valuation methods.

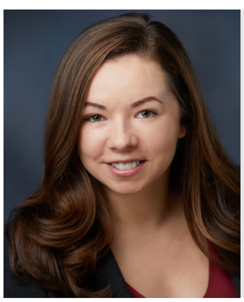
Conclusion and Final Thoughts

As demonstrated, there are many similarities among the development standards set forth by AICPA, NACVA, The Appraisal Foundation, and ASA. A well-executed appraisal that complies with any of these standards is likely to be in substantive, if not technical, compliance with the others.

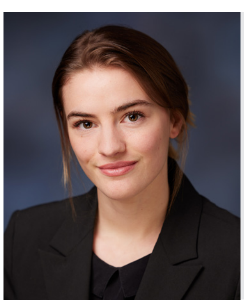
However, there are nuances. Valuation analysts should be well versed in the standards relevant to their membership organizations to maintain credibility and provide business valuations that can withstand scrutiny. By following applicable standards and remaining current with updates to those standards, the valuation analyst’s valuations will be more consistent, defensible, and aligned with the highest levels of professional practice.

It is important to note that compliance with the standards is intended to provide consistency regarding the valuation process rather than precision regarding valuation conclusions. The standards underscore the importance of applying sound professional judgment, especially when identifying the most appropriate valuation approaches and methods to apply or the necessity of deviating from a standard.

About the Authors



Tia R. Hutton is a manager of our firm. She can be reached at (503) 243-7501 or at thutton@willamette.com.



Elizabeth Jones is an associate of our firm. She can be reached at (503) 382-4089 or at elizabeth.jones@willamette.com.

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References:

1 Business valuation credentials (and their commonly known abbreviation) include the following: AICPA, Accredited Business Valuation (ABV); NACVA, Certified Valuation Analyst (CVA); and ASA, Accredited Member (AM) and Accredited Senior Appraiser (ASA). The Appraisal Foundation does not have a business valuation credential. Note, the Certified Business Appraiser (CBA) and Master Certified Business Appraiser (MCBA) credentials of the Institute of Business Appraisers ("IBA") are recognized by the business valuation industry. NACVA acquired the assets of IBA in 2008 and in 2016 stopped accepting new candidates.

2 The Appraisal Foundation.

3 Treasury Department, "Regulations Governing Practice Before the Internal Revenue Service," Federal Register 89, no. 247 (December 26, 2024): https://www.govinfo.gov/content/pkg/FR-2024-12-26/pdf/2024-29371.pdf. On December 26, 2024, the U.S. Department of Treasury issued a notice of proposed rulemaking (REG-113289-08) that would include new subpart D, which "would require appraisals submitted in an administrative proceeding before the IRS [Internal Revenue Code] to conform to the substance and principles of the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation or the International Valuation Standards (IVS) promulgated by the International Valuation Standards Council." As of writing, the proposed rule was open to electronic or written comments through February 24, 2025, and a public hearing was scheduled for March 6, 2025.

4 It is reasonably inferred throughout the development standards of SSVS VS Section 100, USPAP, and BVS that in order to rely on information, such as nonfinancial, ownership, and financial information, that you must first identify it.