



Sorting the alphabet soup of business valuation credentials

Not every financial professional is qualified to value a business — especially if a third party will rely upon the appraisal. Earning a valuation credential requires specific coursework, testing, peer review and other prerequisites.

Sorting through the alphabet soup of valuation credentials can be daunting. Here, we explain why credentials are a must-have and summarize the requirements of the most common business valuation designations.

Save now, pay later

Do-it-yourself appraisals might save money up front, but they can be costly later. Consider the owner of a print shop who asked his CFO to testify about the value of his interest at his divorce hearing. The CFO knew the ins and outs of the printing business. And he was familiar with industry rules of thumb and the rumored purchase price of a nearby competitor three years earlier.

But what the CFO didn't know was how to value a business. The owner's wife hired a credentialed valuation expert who testified about the perils of relying exclusively on industry rules of thumb and hearsay. Instead, she presented a conclusion based on a sophisticated discounted cash flow analysis, which was supported by an alternate calculation based on 25 comparable transactions from a proprietary database.

The court relied exclusively upon the wife's expert's conclusion because her analysis was more thorough and objective. And the requirements the expert had met to earn her valuation designation qualified her to appraise the business.

Valuation's secret code

Several organizations offer business valuation credentials, including the American Institute of Certified Public Accountants (AICPA), the American Society of Appraisers (ASA), and the National Association of Certified Valuation Analysts (NACVA), which merged with the Institute of Business Appraisers (IBA) last summer. The most common business valuation credentials you'll likely encounter are:

Accredited in Business Valuation (ABV). This requires a CPA license and AICPA membership. Candidates also must take 75 hours of coursework, pass an exam and complete six valuations (or 150 hours of valuation experience).

Accredited Senior Appraiser (ASA). These professionals undergo 123 hours of coursework, a series of six exams, approval of a demonstration appraisal report and five years (or 10,000 hours) of full-time business valuation experience for accreditation. After two years of valuing businesses, a candidate may use the Accredited Member (AM) designation, if all the other requirements have been met.

Certified Valuation Analyst and Accredited Valuation Analyst (CVA/AVA). NACVA merged two credentials into one designation (CVA) in April 2013. Formerly, the only difference was that CVAs were also CPAs, whereas AVAs required an MBA or other business degree. NACVA requires CVAs to take a 45-hour class, pass an exam, submit a case study or demonstration appraisal report for peer review, and complete two years of related experience (or perform ten valuations).

Certified Business Appraiser (CBA). Since the NACVA/IBA merger, CBAs must take the same courses as those who earn the CVA designation. CBAs also must submit two demonstration reports and pass a five-hour exam.

Requisite standards

All appraisal organizations require members to have four-year degrees and to take continuing professional education (CPE) courses. It's a good idea to double-check to ensure your expert is current on his or her CPE requirements.

Each organization also has its code of ethics and professional standards. ASA is the only organization that requires members to follow the *Uniform Standards of Professional Appraisal Practice* (USPAP), although many nonmembers voluntarily comply with these rigorous standards. All CPAs, regardless of the valuation credentials they hold, must conform to the *Statement on Standards for Valuation Services* (SSVS). Review a valuator's report to ensure he or she is in compliance with all requisite standards.

Read the signals

No valuation credential necessarily trumps another — and more credentials after an expert's name doesn't necessarily equate with more reliable results. But valuation credentials do demonstrate an expert's experience level and commitment to the appraisal discipline. Those who stay current with their CPE and professional standard requirements also are more likely to be in touch with the latest theories and trends.

Do you have a
Question?
or want to speak to
Michael B. Lehner
CPA/ABV, CFE, ASA



zbt Certified Public Accounting
& Consulting, LLC

Michael B. Lehner, CPA/ABV, CFE, ASA

732.412.3825

mlehner@zbtcpa.com

www.linkedin.com/in/michaellehnercpa

@MLehnerCPA

BusinessValuationNJ

www.zbtcpa.com