

## CHAPTER 1

### OVERVIEW OF A BUSINESS VALUATION ENGAGEMENT

#### Table of Contents

Section		Page
100	INTRODUCTION .....	1-1
.01	What Is a Closely-held Business? .....	1-1
.02	How Does Size Affect the Definition? .....	1-1
.03	Does the Approach Used To Value a Publicly-traded Company Differ? .....	1-1
.04	What Is a Valuation Engagement? .....	1-2
.07	For Whom Is This Guide Written? .....	1-3
.08	How the Guide Is Organized .....	1-3
105	THE ROLE OF THE VALUATOR IN A BUSINESS VALUATION ENGAGEMENT .....	1-3
.01	Objectivity in a Valuation Engagement .....	1-3
.02	There Is Normally a Presumption of Objectivity .....	1-4
.04	Protecting the Appearance of Objectivity .....	1-4
.05	Objectivity of Valuators Who Perform Litigation Support Services ..	1-4
.06	Advisory Engagements .....	1-4
.08	Other Professional Standards .....	1-4
.09	Standards of the CBV Institute (The Canadian Institute of Chartered Business Valuators (CICBV)) .....	1-5
.10	Valuation Standards of the CICBV .....	1-5
.11	Rules of Professional Conduct—CPA-Canada .....	1-5
.12	Standards of CPA Canada .....	1-5
.15	Standards of the American Institute of Certified Public Accountants (AICPA) .....	1-5
.22	Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation .....	1-9
.33	International Valuation Standards (IVS) .....	1-12.1
.36	Standards of the Royal Institution of Chartered Surveyors (RICS)....	1-12.2
110	EDUCATION AND EXPERIENCE .....	1-12.4
.02	Evaluate Capabilities .....	1-12.4
.03	Developing the Expertise without Prior Experience .....	1-12.4
.06	Hiring an Experienced Business Valuator from the Outside .....	1-12.5
.07	Forming a Strategic Alliance with an Existing Valuation Firm .....	1-12.5
.08	Training Requirements.....	1-12.5
.10	CBV Designation .....	1-12.6
.20	National Association of Certified Valuators and Analysts.....	1-12.8
.26	Obtaining Relevant Experience .....	1-12.9
.28	Necessary Resources.....	1-12.9
.29	Personnel Resources .....	1-12.9
.30	Library Resources.....	1-12.9

## Table of Contents

Section	Page
.31 Computer Resources .....	1-12.10
115 OVERVIEW OF A VALUATION ENGAGEMENT.....	1-12.10
.03 Overall Engagement Approach .....	1-13
.04 Pre-engagement and Planning Procedures .....	1-13
.05 Decide Whether To Accept the Engagement.....	1-13
.08 Prepare a Detailed Work Program.....	1-14
.09 Develop a Time and Fee Estimate .....	1-14
.10 When Appropriate, Obtain Approval of the Work Program Staff Assignments, and Fee Estimate.....	1-14
.11 When Necessary, Prepare a Proposal Letter or Oral Presentation.	1-15
.12 Obtain an Engagement Letter.....	1-15
.13 Fieldwork Procedures .....	1-15
.14 Collect Data Appropriate for the Valuation Methods Used.....	1-15
.16 Perform the Valuation Methods under the Supervision of an Experienced Individual .....	1-15
.17 Reporting and Wrap-up Procedures .....	1-16
.18 Determine the Final Estimate of Value .....	1-16
.19 Document All Work Performed and Conclusions Reached .....	1-17
.20 Consider Obtaining a Representation Letter (If Possible) .....	1-17
.21 Draft the Valuation Report .....	1-17
.22 Perform a Detailed Review of the Working Papers and Report Draft .....	1-17
.23 If Practical, Obtain an Independent Internal Review of the Working Papers and Report Draft .....	1-17
.24 Resolve Any Professional Disputes .....	1-17
.25 Discuss Engagement Findings and Report Draft with the Client.....	1-17
.26 Determine That All Review Points and Open Items Have Been Cleared .....	1-18
.27 Prepare the Final Report .....	1-18
.28 Sign the Report or Transmittal Letter.....	1-18
.29 File the Working Papers .....	1-18
.30 Evaluate the Staff's Performance .....	1-18
1A Professional Standards and Guidelines	
1A-1 Code of Ethics—The Canadian Institute of Chartered Business Valuators.....	1-53
1A-2 Standards—The Canadian Institute of Chartered Business Valuators .....	1-63
1A-3 Rules of Professional Conduct—Chartered Professional Accountants of Ontario .....	1-77
1A-4 Code of Ethical Principles and Rules of Conduct—Certified General Accountants' Association of Canada .....	1-93
1A-5 Principles of Appraisal Practice and Code of Ethics—American Society of Appraisers.....	1-117
1A-6 Business Valuation Standards—American Society of Appraisers .....	1-131

## Table of Contents

Section	Page
1A-7 Business Appraisal Standards—The Institute of Business Appraisers, Inc....	1-173
1A-8 Professional Standards—National Association of Certified Valuators and Analysts .....	1-186.21
1A-9 Statement on Standards for Valuation Services—American Institute of Certified Public Accountants .....	1-186.41
1B Sample Basic Business Valuation (and Litigation Support) Library.....	1-187
1C Notation System Used in This Book.....	1-191
1D The Effect of COVID-19 on Business Valuation .....	1-195
1E Perspectives Paper: A Framework to Assess ESG Value Creation.....	1-205

[Next page is 1-1]