# **CHAPTER 1**

# **OVERVIEW OF A BUSINESS VALUATION ENGAGEMENT**

## **Table of Contents**

Section				Page		
100	INTRODUCTION					
	.01	What Is	a Closely-held Business?	1-1		
		.02	How Does Size Affect the Definition?			
		.03	Does the Approach Used To Value a Publicly-traded Company Differ?			
	.04	What Is	a Valuation Engagement?			
	.07		m Is This Guide Written?			
	.08		Guide Is Organized			
105	THE ROLE OF THE VALUATOR IN A BUSINESS VALUATION ENGAGEMENT					
	.01	Objectivi	ty in a Valuation Engagement	1-3		
		.02	There Is Normally a Presumption of Objectivity			
		.04	Protecting the Appearance of Objectivity			
		.05	Objectivity of Valuators Who Perform Litigation Support Services			
	.06	Advisory	Engagements			
	.08	Other Pr	ofessional Standards	1-4		
		.09	Standards of the CBV Institute (the Institute) — formerly called "The Canadian Institute of Chartered Business Valuators			
			(CICBV)"	1-4		
		.10	Valuation Standards of the Institute	1-5		
		.10.1	Practice Bulletins	1-5		
		.10.2	International Valuation Glossary — Business Valuation	1-5		
		.10.3	Global Valuation Profession	1-6		
		.11	Rules of Professional Conduct—CPA-Canada	1-6		
		.12	Standards of CPA Canada	1-6		
		.15	Standards of the American Institute of Certified Public Accountants (AICPA)	1-6		
		.22	Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation			
		.32.1	Standards of the American Society of Appraisers			
		.32.1	Standards of the Business Valuation Committee of the ASA			
		.32.3	Guidelines of the Internal Revenue Service			
		.33	International Valuation Standards (IVS)			
		.35	Standards of the Royal Institution of Chartered Surveyors (RICS)	1-12.3		
110	EDUCATION AND EXPERIENCE					
	.02	Evaluate	Capabilities	1-12.5		
		.03	Developing the Expertise without Prior Experience	1-12.5		
		.06	Hiring an Experienced Business Valuator from the Outside	1-12.6		
		.07	Forming a Strategic Alliance with an Existing Valuation Firm	1-12.6		

## **Table of Contents**

Section			Page		
	.08	Training Requirements	1-12.6		
		.10 CBV Designation			
		.20 National Association of Certified Valuators and Analysts			
	.23	Obtaining Relevant Experience			
	.25	Necessary Resources			
		.26 Personnel Resources	1-12.10		
		.27 Library Resources	1-12.10		
		.28 Computer Resources	1-12.11		
115	OVERVIEW OF A VALUATION ENGAGEMENT				
	.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.			
		.12 Obtain an Engagement Letter			
	.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			
		.18 Determine the Final Estimate of Value			
		.19 Document All Work Performed and Conclusions Reached			
		.20 Consider Obtaining a Representation Letter (If Possible)			
		.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			
		.25 Discuss Engagement Findings and Report Draft with the	1-17		
		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			
		.29 File the Working Papers			
		.30 Evaluate the Staff's Performance			
1A	Professional Standards and Guidelines				
	1A-1	Code of Ethics—CBV Institute	1-53		
	1A-2	Practice Standards—CBV Institute	1-61		

## **Table of Contents**

Section			Page			
	1A-2.1	International Valuation Glossary—Business Valuation	1-91			
	1A-2.2	A Bridge from CBV Institute Practice Standards to IVS	1-93			
	1A-3, 1A-4 [Deleted.]					
	1A-5	Principles of Appraisal Practice and Code of Ethics—American Society of Appraisers	1-111			
	1A-6	Business Valuation Standards—American Society of Appraisers	. 1-133			
	1A-7, 1A	A-8 [Deleted.]				
	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	Notation System Used in This Book				
1D	The Effe	ect of COVID-19 on Business Valuation	1-195			
1E	Perspec	tives Paper: A Framework to Assess ESG Value Creation	. 1-205			

[Next page is 1-1]