

**Business Valuation - Executive Summary**  
**First AICPA Statement on Standards for Valuation Services**  
Effective January 1, 2008

1. Applies when an American Institute of Certified Public Accountants member is engaged to estimate the value of a business, an ownership interest, security, or intangible asset.
2. CPA / ABV apply valuation methods and uses one or a combination of the three Approaches: Income, Market and Asset. Each approach should be addressed. The use of professional judgment is an essential component of estimating value.
3. The valuation engagement should also identify:
  - Type of engagement and report
  - The applicable standard of value, such as going concern or liquidation
  - Assumptions and limiting conditions, such as forecasts or un-audited financials, and subsequent events
  - Government regulations relating to the valuation
  - The valuation date, intended report use and users, including restrictions
4. The standard sets forth two types of engagements and related reports:
  - Valuation engagement, calls for the valuation analyst to estimate the value of the subject interest, following full valuation guidelines, free to apply the appropriate valuation approach(s). This type of engagement results in a “conclusion of value”, one amount or a range. The valuation report can be issued in either a “detailed” or “summary” form, or
  - Calculation engagement, the valuation analyst and client agree-upon the valuation approaches, the methods to use, and the extent of the procedures to perform. The result is a “calculated value”. There is only one type of report, a “calculation report” for this agreed-upon engagement. (Typically, more cost effective.)
5. Wide variety of purposes for business valuations are noted in the pronouncement:
  - Planning oriented engagements: acquisitions, gift tax, estate tax, related personal financial planning
  - Transactions: acquisitions, mergers, IPO’s, ESOPs, other share based plans such as stock options, and partner and shareholder buy-ins or out
  - Compliance oriented engagements: financial reporting, income, estate, and gift tax, purchase price allocation, and charitable contributions
  - Litigation (or pending): ownership disputes, contractual disputes, bankruptcy, marital dissolutions, and intellectual property disputes

*Becher, Della Torre, Gitto & Company, CPAs, with 25 years of quality service, would be happy to discuss your business valuations needs. Contact Neil Della Torre, CPA at 201 652-4040 or [ndellatorre@bdgcpa.com](mailto:ndellatorre@bdgcpa.com).*