



AICPA Proposes Valuation Standards

As members of the American Institute of Certified Public Accountants (AICPA), CPAs are governed by the organization's rules and standards. Last year, the AICPA proposed standards for valuation services with the goal of improving consistency and quality. Once adopted, these AICPA standards would guide all CPAs who perform valuations.

The AICPA exposure draft has generated 162 comments — a large and intense response. Here are the areas of particular interest:

Interaction with other standards: Many valuation organizations — National Association of Certified Valuation Analysts, American Society of Appraisers and Institute of Business Appraisers — already have existing standards with which the new AICPA standards may conflict.

Documentation of understanding with the client: The proposed standards require a *written* understanding with a client. Some valuation experts prefer oral agreements, believing that less written documentation is sometimes preferable.

Use of specialists: The AICPA draft requires certain procedures when using the work of a specialist — such as a real estate appraiser — depending on who hires the specialist. Many believe the procedures should be the same, regardless of who engages the outside expert.

Post-valuation events: Should post-valuation-date events be included in a valuation report? The AICPA standards suggest that if the event could not have been known at the time of the valuation — a post-valuation-date fire, for example — the report should not be updated.

Oral valuation reports: With an exception for litigation, the standards require that all valuation reports be in writing. Many like the option of oral reports because they are valuable to clients who don't need a full written report.

Given this controversy, the AICPA has decided to redraft the standards and reissue them for comment, so stay tuned for more information on this interesting debate.

For more information, visit www.aicpa.org, or call our office. We'll be happy to discuss the proposed standards with you.