



CEIV[™] VALUATION CREDENTIAL

SETTING A NEW STANDARD FOR FINANCIAL REPORTING VALUATIONS

By: William A. Johnston, ASA, IA/BV

Valuations for financial reporting purposes have evolved greatly over the years. Numerous accounting standards have been introduced which have greatly increased the need for valuations (e.g. ASC 350, ASC 805 and ASC 820). Also, transactions have become increasingly complex and financial models more and more sophisticated. Best practices continue to evolve at a fast pace.

Knowledge of best practices and experience play a key role in selecting and properly applying the right valuation approaches for an engagement. It is equally important to apply rigor and professional skepticism to a valuation and to document key considerations and assumptions. Without all of the above, users of financial statements may lack confidence in the reliability of fair value estimates.

Capital market regulators have questioned whether practitioners have the necessary skills and experience to perform fair value measurements. They have also questioned the lack of uniformity in standards and requirements amongst a number of different valuation professional organizations (VPOs). In fact, a credential is not even required to perform the work.

Think about it – how comfortable would you be having your financial statements audited by a firm without CPAs? What if accountants had five different types of designations? How would you be able to compare and decide who is most qualified to audit your financial statements? This example helps to illustrate the issue at hand with financial reporting valuations.

To address these concerns, the American Society of Appraisers (ASA), the American Institute of Certified Public Accountants (AICPA) and the Royal Institution of Chartered Surveyors (RICS) have collaborated to create a new financial reporting valuation designation – Certified in Entity and Intangible Valuations or $CEIV^{TM}$.

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This designation launched earlier in 2017 and has resulted in a consistent, rigorous set of requirements and standards for those who hold the credential.

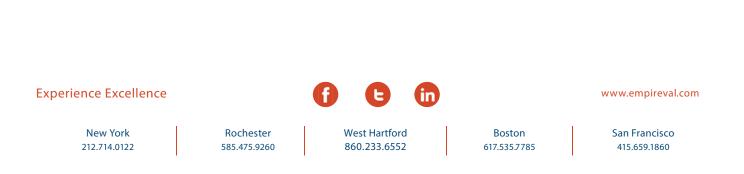
VPOs have worked together for years to reach this point. I am the Immediate Past Chair of the ASA's Business Valuation Committee and played an integral role for the ASA in helping to create and launch the credential. The effort was a monumental undertaking; I have seen nothing like it in my career and have been proud to play a key role on behalf of the ASA.

There are mandatory prerequisites to obtain the CEIV[™] credential. The applicant must meet the core requirements of a Business Valuation credential from an approved VPO. He or she must also have a minimum amount of experience performing fair value measurements and take training and exams specific to the credential. There is also a quality control process to monitor the work of individuals with the CEIV[™]. This back end function helps ensure that individuals with the credential are performing appropriate and reliable valuations.

The education and exams cover two areas – an overall Body of Knowledge and a new performance based standard – the Mandatory Performance Framework (the MPF). Unlike technical standards that focus on the "how to," the MPF focuses on "how much." How much as in how much documentation is required for an analysis, how much rigor must be applied to the entire process, and how much skepticism should be applied in evaluating sources of information. All CEIV[™] credential holders are required to adhere to the MPF, and adherence to the MPF is considered to be best practice for all financial reporting valuations.

At Empire Valuation Consultants we are committed to the new credential and its performance standards. However, our capabilities extend beyond our experience, credentials, and education; we are leaders playing instrumental roles in shaping and educating the valuation profession. For example, in addition to playing a key role related to the CEIVTM, I am also on the Appraisal Foundation task force for valuing contingent consideration. I also teach three different classes on financial reporting valuations for the ASA, including advanced approaches to value intangible assets for purchase price allocation purposes.

To put it in simpler terms, would you rather hire a professional that took a financial reporting class, or the person that taught the class? Involvement in the above types of activities not only demonstrates a level of capability, it also provides critical understanding and context as to why the standards, technical guidance, etc. were crafted as they were. These insights can often be invaluable when dealing with specific issues that come up on fair value measurement projects.





With a staff of over 75 employees in New York City, Rochester, Boston, West Hartford and San Francisco, we are one of the largest and most well-respected valuation firms in the country. We bring excellence and integrity to every engagement through our team of highly skilled individuals who are experts in the valuation field.



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Bill is a Managing Director of Empire Valuation Consultants, where he has worked since 1994.

He is an Accredited Senior Appraiser of the American Society of Appraisers (ASA) and was one of the first recipients of the ASA's intangible asset designation. Bill has over twenty-three years of experience in business and intangible asset valuations. He has managed and performed numerous valuation for financial reporting purposes, including purchase price allocation, goodwill impairment testing, and cheap stock (ASC 718/409a). Bill is the Immediate Past Chair of the ASA's Business Valuation Committee and is the past President of the ASA's New York City Chapter. In addition, he also chaired the first national conference co-sponsored by the ASA covering financial reporting valuations.

He has valued the equity, debt, options/warrants, and carried interests of publicly and privately held businesses for financial reporting, acquisitions, stock repurchases, lending, estate and gift tax reporting, re-capitalization, litigation, fairness opinions and general corporate planning purposes. He also has a significant amount of experience valuing technology companies, hedge and private equity funds, and early stage businesses.

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