

# Standard No. 620

## INVESTMENT ENTITY REVIEW REPORTS

### SCOPE OF WORK STANDARDS AND RECOMMENDATIONS

1. Within this Standard, the person(s) responsible for the initial valuation of the specified shares, units, underlying investments or net assets is referred to as the “Preparer”, and the person(s) responsible for reviewing and assessing the reasonableness of the initial valuation is referred to as the “Reviewer”.
2. An Investment Entity Review Report is defined as **“any written communication prepared by a Valuator (the “Reviewer”) containing a conclusion as to the reasonableness of the value of the specified shares, units, underlying investments or the net asset value of the Investment Entity as determined by a manager of the Investment Entity or another party (the “Preparer”).”** An Investment Entity Review Report does not include work product that is in the process of being completed that is provided to a client or knowledgeable third party in circumstances where each of the following conditions are met: (i) the work product is clearly marked as being in draft form and subject to change; (ii) the work product is issued for the purpose of obtaining comment, instruction, confirmation or other information required to complete the Investment Entity Valuation; (iii) the Reviewer knows, or reasonably ought to know, that the intended reader(s) does not intend to rely on the work product or distribute the work product to a third party who may in turn rely on such work product; and (iv) the Reviewer has a reasonable expectation at the time the work product is provided that an Investment Entity Review Report will be completed and issued in due course.
3. At a minimum, for all Investment Entity Review Reports the following procedures set out in bold characters must be performed. “Recommendations” are not mandatory, but encouraged. “Explanatory comments” provide additional guidance in applying the specific provisions of the Standard.
4. **General Standards**
  - 4.1 **The following General Standards apply to all Investment Entity Review Reports:**
    - A. **The work shall be performed by a person or persons having adequate technical training and proficiency in financial analysis and/or business valuation concepts, principles and techniques, with due care and with an objective state of mind.**
    - B. **The work shall be adequately planned and properly executed. If assistants are employed, they shall be properly supervised by a Member.**
    - C. **Sufficient evidence shall be gathered by such means as inspection, inquiry, computation and analysis to ensure that the comments in the Investment Entity**

Review Report are properly supported. When determining the extent of evidence necessary to support the Investment Entity Review Report, Reviewers shall exercise professional judgment, considering both the nature of the Investment Entity Review Report and the use to which the Investment Entity Review Reports will be put.

- D. The Reviewer shall perform the work in accordance with the Code of Ethics of the Canadian Institute of Chartered Business Valuators.
  - E. When access to essential information is denied by the client or some other party, or is otherwise unavailable to the Reviewer, any comments rendered by the Reviewer in respect of such Investment Entity Review Report shall be qualified and clearly set out as a limitation in the scope of work. (*Recommendation*: the Reviewer should assess whether the lack of access to relevant information is so significant as to limit their ability to issue the Investment Entity Review Report)
5. **Specific Standards**
- 5.1 **The following Specific Standards apply to all Investment Entity Valuation Reports:**
- A. **The Reviewer shall obtain clear instructions from the person requesting the Investment Entity Review Report;** (*Recommendation*: the Reviewer should assess the necessity of obtaining an engagement letter in each circumstance); and
  - B. **When planning the extent of the scope of work for a particular engagement, the Reviewer shall obtain:**
    - (i) **Sufficient understanding of the subject of the Investment Entity Valuation Report** (examples— specified shares, units, underlying investments or the net asset value of the Investment Entity, a business interest, shares, debt instrument, etc.); (*Explanatory comment*: the Reviewer does not necessarily need to obtain and review all material documentation referred to in the initial valuation of the Preparer); and
    - (ii) **Sufficient understanding of the specified underlying investments or the net assets of the Investment Entity.**

June 19, 2014