Chartered Business Valuators Institute

A BRIDGE FROM CBV INSTITUTE PRACTICE STANDARDS TO IVS

JANUARY 2022

International Valuation Standards

International Valuation Standards Council

CBV INSTITUTE AND CBV INSTITUTE PRACTICE STANDARDS

CBV Institute leads the Chartered Business Valuator (CBV) profession – Canada's only designation dedicated to business valuation since 1971. With CBVs and Students across Canada and around the world, we uphold the highest standards of business valuation practice through education, accreditation and governance of the CBV, for the benefit of the public interest. A not-for-profit organization, **CBV Institute** adapts and evolves to advance the CBV profession to the forefront of business change. CBV Institute is both a member and sponsor of IVSC and is represented by several CBV Members on IVSC boards.

INTERNATIONAL VALUATION STANDARDS COUNCIL AND INTERNATIONAL VALUATION STANDARDS (IVS)

The IVS are globally recognized valuation standards for assets and liabilities. They are developed and proclaimed by the International Valuation Standards Council (IVSC), the independent global standard setter for the valuation profession. At this time, the IVSC does not accredit valuers and does not require its member organizations to require compliance with **IVS**. The decision to follow IVS is currently a matter of choice, agreement with a client or a requirement by regulation of another authority. The current version of IVS reflect changes adopted effective January 31, 2022.

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Important Note About This Bridge Guide

This Bridge Guide is intended to be a helpful tool; however, it is limited in scope and may not contain all matters required to ensure adherence to IVS or a complete understanding of the differences between IVS and CBV Institute Practice Standards. Practitioners are cautioned and reminded of their obligations to read and be familiar with the latest published version of IVS prior to accepting an engagement or providing valuation services in accordance with IVS[1]. IVS-related training is also available and should be considered by practitioners.

Departures[2] from IVS are permissible (and in fact required) if a practitioner must depart from certain IVS requirements in circumstances where specific laws or regulations must be followed. The purpose of the comparisons in this Bridge Guide is to understand potential areas of differences between CBV Institute Practice Standards and IVS, and not to construe CBV Institute Practice Standards as a permissible departure from IVS.

Note also that compliance with IVS does not automatically mean compliance with CBV Institute Practice Standards. CBV Institute Practice Standards may contain additional requirements in some instances[3]. It is a practitioner's obligation, if required to comply with IVS, to meet both sets of standards.

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[1] The latest version of IVS is available at ivsc.org, and for free to CBVs and Students at cbvinstitute.com. This document is based on the latest version of IVS effective January 31, 2022.

[2] A departure is a circumstance where specific legislative, regulatory or other authoritative requirements must be followed that differ from some of the requirements within IVS. IVS departures are mandatory in that a valuer must comply with legislative, regulatory and other authoritative requirements appropriate to the purpose and jurisdiction of the valuation to be compliant with IVS. A practitioner that must depart from IVS due to legislative, regulatory or other authoritative requirements can still state that the valuation was performed in accordance with IVS.

[3] This is primarily with respect to report disclosure items. For instance, Practice Standard No. 110 contains more explicit disclosure requirements for certain types of reports and requires various statements to be made in the valuation report, which are not addressed by IVS.

I. Executive Summary

The use of IVS continues to gain recognition and acceptance in international markets as the global economy becomes increasingly interconnected. As such, there will be an increased need for CBV practitioners to meet the requirements of IVS, as well as increased opportunities for those CBVs who are able to do so.

At this time, CBV Institute does not require compliance with IVS. We are continuing to consider and assess matters relevant to the adoption of IVS. CBV Institute's leadership in IVSC's transparent and robust standard-setting process is a reflection of its commitment to uphold CBV professional excellence in today's globalized world.

What is Addressed in this Bridge Guide

The purpose of this publication (herein referred to as "Bridge Guide") is to identify the main areas of difference that have practical implications to practitioners who choose, or are required to follow, both sets of standards for a particular valuation engagement. This Bridge Guide assumes that when performing independent business valuations, the practitioner is adhering to CBV Institute Practice Standard No 110 (including Appendix A and B), 120 and 130, as well as IVS. It is important to note that, as long as all other requirements of IVS are fulfilled, the Practice Standards of CBV Institute can be followed in addition to IVS, without such actions being seen as a "departure"[4] from IVS. In other words, compliance with CBV Institute Practice Standards is not considered a departure from IVS in and of itself.

Note that only the IVS applicable to **business valuations** have been referenced and discussed in this publication – namely, IVS General Standards (IVS 101 to IVS 105) and certain IVS Asset Standards (IVS 200 and 210). The IVS also encompass the valuation of inventory, plant & equipment, real property interests, development property, financial instruments and non-financial liabilities – these other disciplines are not addressed in this Bridge Guide.

While this Bridge Guide highlights the areas of differences, it is important to understand that by virtue of having gone through CBV Institute's **Program of Studies**, CBVs are already familiar with the concepts detailed in IVS. A CBV practitioner (herein referred to as "practitioner") accustomed to providing valuation conclusions in accordance with CBV Institute Practice Standards should have no difficulty in meeting the requirements of IVS.

Similarities

CBV Institute Practice Standards and IVS are largely consistent in terms of the way business valuations are conducted in accordance with recognized concepts and principles. Both are principles-based standards and were designed to maintain public trust in the valuation profession. Both sets of standards address the development of a valuation conclusion based on an appropriate scope of work. Both address report content and file documentation. Both address the competency and objectivity of the valuator.

IVS do not contradict and are similar to CBV Institute's independent valuation Practice Standards (Standards No. 110, including Appendices A and B, 120 and 130) in many ways, and the additional guidance and contents of IVS are helpful in the application of CBV Institute Practice Standards.

4 A departure is a circumstance where specific legislative, regulatory or other authoritative requirements must be followed that differ from some of the requirements within IVS. IVS departures are mandatory in that a valuer must comply with legislative, regulatory and other authoritative requirements appropriate to the purpose and jurisdiction of the valuation to be compliant with IVS. A practitioner that must depart from IVS due to legislative, regulatory or other authoritative requirements can still state that the valuation was performed in accordance with IVS.

Areas of Differences

IVS are **generally more detailed** than CBV Institute Practice Standards as they relate to business valuation. The IVS more **explicitly codify general business valuation concepts and guidance within the standards themselves**, whereas CBV Institute captures the same concepts and guidance throughout its Code of Ethics, Practice Bulletins and foundational education courses. IVS establish some **more explicit requirements** in certain areas of the valuation process, such as:

- Establishing controls and procedures to ensure the necessary degree of objectivity of the valuer;
- Communicating the Scope of Work with the client at the outset of the valuation assignment;
- Requiring an assessment, through investigation, of all significant inputs to the valuation;
- Requiring file documentation in some instances, driven by the frequent use of "should" within IVS, which require a practitioner to either comply with the IVS requirement, demonstrate an appropriate alternative action or document why the action was not necessary or appropriate.

IVS use **terminology** which is not used under the CBV Institute Practice Standards (e.g., must, should, may, weighting and departure).

Unlike CBV Institute Practice Standards, **IVS do not distinguish between levels of assurance provided by valuation conclusions**[5] and do not specifically name or label the levels of reliability or confidence attached to a particular valuation report, or try to define report types based on the amount of work undertaken. However, IVS effectively acknowledge and contemplate that different engagements will provide differing levels of assurance to the client and intended user, given that the level of investigation undertaken by a valuer under IVS will naturally differ and vary based on the purpose of the valuation assignment and basis(es) of value. Under both standards, professional judgement is required to determine the appropriate extent of evidence and work to be undertaken.

Also of note is that CBV Institute maintains additional **practice standards for advisory valuation work where a practitioner is not being engaged to act independently** (i.e., advisory engagements), and such advisory valuation standards have identical requirements to the independent valuation standards. Practitioners who provide advisory valuation services on a non-independent basis under Practice Standards No. 210, 220, 230 will likely have difficulty meeting the overarching IVS requirement for objectivity, and thus producing IVS-compliant valuations.

Finally, CBV Institute's reporting requirements do not apply to **internal or in-house valuations**, while IVS reporting requirements do. Internal valuation work products such as valuations of a pension fund's private investments by its employees for the fund's financial reporting are not required to follow any reporting standards[6], while under IVS they must do so. That said, the IVS reporting requirements are not onerous.

II. Understanding IVS Requirements, IVS Terminology and IVS Compliance

Some of the terms used in IVS and their meaning differ from those in CBV Institute Practice Standards. Furthermore, IVS contain some terms and concepts which are not defined by CBV Institute Practice Standards. Some examples of the terminology differences are provided below: (Note: this is not an exhaustive list)

[5] The three levels of valuation reports defined under CBV Institute Practice Standards are Comprehensive, Estimate and Calculation.

[6] See CBV Institute Practice Bulletin No. 5.

IVS	CBV Institute Practice Standards
Valuer	Valuator (although not identical definitions)
Valuation Reviewer	Reviewer (in the context of a Limited Critique Report)
Client (includes internal and external clients)	N/A[7]
Objectivity	Independence
Significant/material/materiality[8]	N/A
Asset(s) (includes liabilities)	N/A
Weighting	N/A
Special Assumption(s)	N/A
Departure	N/A
Equitable Value	N/A
N/A	Calculation Valuation Report
N/A	Estimate Valuation Report
N/A	Comprehensive Valuation Report

The most critical terminology for practitioners to understand and follow are the terms of reference for compliance with IVS - **"must"**, **"should"**, and **"may"**, as these terms are used throughout IVS to set out the mandatory actions, procedures and considerations that must be followed in order to state that a valuation was performed in compliance with IVS. The definitions of these terms are provided below:

- **"Must"**: indicates an **unconditional responsibility. The valuer must fulfill responsibilities of this type in all cases in which the circumstances exist to which the requirement applies.**

- **"Should"**: indicates responsibilities that are **presumptively mandatory. The valuer must comply with requirements of this type unless the valuer demonstrates that alternative actions which were followed under the circumstances were sufficient to achieve the objectives of the standards.** In the **rare** circumstance in which the valuer believes the objectives of the standard can be met by alternative means, the valuer must document why the indicated action was not deemed to be necessary and/or appropriate.

  If a standard provides that the valuer "should" consider an action or procedure, consideration of the action or procedures is presumptively mandatory, but the carrying out of the action or procedure is not.

  As outlined herein, every chapter within IVS includes numerous provisions which a valuer **should** consider. The multitude of references to responsibilities using **should** may result in file documentation that exceeds what is currently prescribed by CBV Institute Practice Standard No. 130.

- **"May"**: describes actions and procedures that valuers have a responsibility to consider. Matters described in this fashion require the valuer's attention and understanding. Whether and how the valuer implements these matters in the valuation engagement will depend on the exercise of professional judgement in the circumstances consistent with the objective of the standards.

[7] Although not present in CBV Institute Practice Standards, Practice Bulletin No. 5 provides guidance to clarify that the reporting requirements of the Practice Standards are not intended to apply to communications intended solely for internal use.

[8] The term "significant" in IVS requires professional judgement. Aspects of a valuation, including inputs, assumptions, methods and approaches applied, are considered to be significant if their application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation.

IVS Compliance - Focus on the Valuation Engagement

IVS compliance is about the valuation engagement being in compliance with IVS, by virtue of the valuer having followed the IVS General Standards, the IVS Asset Standards and all relevant standards issued by the IVSC. When a statement is made that a valuation has been undertaken in accordance with the IVS, it is implicit that the valuation has been prepared in compliance with all relevant standards issued by the IVSC. In practice, this means that if valuations of other asset classes are required as part of a business valuation engagement, such as financial instruments or tangible asset valuations, those elements of the valuation must follow the applicable IVS. As a reminder, this Bridge Guide only addresses the differences between the IVS applicable to business valuations and the CBV Institute Practice Standards. The practitioner is responsible for becoming familiar with the other IVS standards.

IVS compliance is about the quality of the entire work product and following a robust process - it is not just focused on the valuation report. This is fundamentally similar to principles captured by CBV Institute's Practice Standards, the Code of Ethics and the Practice Bulletins, taken together as a whole.

CBVs who Produce Internal Valuations

Under IVS, internal valuations must follow IVS, including the IVS reporting standards, which is a key difference from CBV Institute Practice Standards. In-house valuations are explicitly not required to follow any reporting standards, as described in CBV Institute Practice Bulletin No. 5. Practitioners who work "in-house" and produce valuation conclusions for their employer (i.e. internal use) would be affected by IVS, since IVS reporting requirements apply equally to external client valuations as well as internal valuations. One example of this would be valuations of a pension fund's private investments for the fund's financial reporting by employees of the fund. That said, the IVS reporting requirements are not onerous, and compliance can easily be achieved. For instance, an internal valuation report under IVS could take the form of an internal memo, and could make reference to other documents such as internal policies and procedures, so long as the IVS minimum reporting requirements are met (IVS 103 par 30.1).

Glossary of Terms

The **IVSC's Glossary** of defined terms differs from the glossary of business valuation terms that CBVs often reference, namely the **International Glossary of Business Valuation Terms**.

III. Reports and Report Disclosure under IVS

The main difference between IVS and CBV Institute Practice Standard No.110 is that **IVS do not specify or describe reporting formats.** IVS do not distinguish between levels of reporting the same way that CBV Institute Practice Standard No. 110 does (Calculation Valuation Report, Estimate Valuation Report, and Comprehensive Valuation Report) based on the scope of review, the amount of disclosure provided or the level of assurance provided in the conclusion.

A report for an IVS-compliant valuation must simply provide the intended users with a clear understanding of the valuation. The report must be sufficient to communicate to the intended users the scope of the valuation assignment, the work performed, and the conclusions reached. Some minimum reporting disclosures are specified in IVS 103 and outlined below.

As there is no particular report format that is required by IVS, in practice, the level of detail in an IVS report will vary, ranging from a comprehensive narrative report to an abbreviated summary report. Under IVS, **professional judgement is required in determining how detailed the valuation report should be**, which is determined based on the purpose of the valuation, the complexity of the asset/liability being valued, and the users' requirements. IVS allows a VPO to provide additional guidance to supplement IVS, if needed.

In general, the basic requirements for report disclosure under IVS are similar to the requirements under CBV Institute Practice Standard No. 110. Accordingly, **meeting the below-noted minimum reporting requirements under IVS is not likely to result in incremental work for practitioners as compared to CBV Institute Practice Standards.**

The minimum items that must be conveyed in a valuation report under IVS are:

(a) The scope of work performed, including the elements noted in par 20.3 of IVS 101, to the extent that each is applicable to the assignment;
(b) The intended use;
(c) The valuation approach or approaches adopted;
(d) The valuation method or methods applied;
(e) The key inputs used;
(f) The assumptions made;
(g) The conclusions of value and principal reasons for any conclusions reached; and
(h) The date of the report (which may differ from the valuation date).

IVS require that the valuation report should, at a minimum, be sufficient for an **appropriately experienced valuation professional** with no prior involvement with the valuation engagement to review the report and understand the items noted above. This differs slightly from the expectation under CBV Institute Practice Standards, which generally require that reports contain sufficient information, including narrative explanations, calculations and schedules, to allow **a reader** to understand how the valuator arrived at the conclusions expressed.

IV. Competence and Objectivity under IVS

Competence

The competence requirements in IVS are similar to the requirements found in CBV Institute's Code of Ethics. Under CBV Institute's Code of Ethics, a practitioner shall only undertake to provide professional services which they are competent to provide by virtue of training or experience, or are able to become competent in without undue delay, risk or expense to the client. Under IVS, the requirement is similar, but uses slightly more specific wording, requiring valuations to be prepared by an individual or firm having the appropriate technical skills, experience and knowledge of the subject of the valuation, the market(s) in which it trades and the purpose of the valuation. Both sets of standards require the practitioner to be competent in the work that is performed.

Objectivity

CBV Institute Practice Standards refer to "independence". Practice Standard No. 110 requires a statement that the valuation report was prepared by the valuator acting **independently and objectively**. IVS require **objectivity**.

While the words in IVS ("objectivity") differ somewhat from the words in CBV Institute Practice Standard No.

110 (“a Valuator acting independently”), the concepts are aligned. Independence generally refers to external factors, conditions and relationships, while objectivity refers to an independent state of mind.

However, there are important implications for practitioners in terms of a) what the final report will communicate, and b) the requirement to put in place appropriate controls and procedures by a practitioner.

Reports prepared for IVS-compliant engagements do not need to make a positive statement about the valuer’s objectivity – **objectivity is a fundamental expectation[9].** Under IVS, a valuer is required to make impartial judgements as to the reliability of inputs and assumptions. For an IVS valuation to be credible, it is important that those judgements are made in a way that promotes transparency and minimizes the influence of any subjective factors on the process. Judgement used in a valuation must be applied objectively to avoid biased analyses, opinions and conclusions.

The IVS Framework states that there is a “fundamental expectation” that there are “appropriate controls and procedures in place to ensure the necessary degree of objectivity in the valuation process so that the results are free from bias.” (IVS Framework, par 40.2). While it is already best practice to do so, in accepting valuation engagements under IVS, practitioners should ensure that such “controls and procedures” are in place with respect to preserving “objectivity” before accepting a valuation engagement. Otherwise, **if a valuer cannot demonstrate that they have undertaken the engagement in an independent manner, the valuation will not be IVS-compliant[10].**

This has implications for practitioners who provide advisory valuation services on a non-independent basis (under Practice Standards No 210, 220, 230), and who will likely have difficulty meeting the IVS requirement for objectivity, and thus producing IVS-compliant valuations.

This IVS requirement also has implications for “in-house” practitioners as internal valuations bring into question the independence of the valuator, creating a risk to the perceived objectivity of valuations, and underscoring the need for procedures and safeguards to be in place to ensure the objectivity of the internal valuator.

V. Planning the Valuation Assignment: the Scope of Work for IVS Compliance

CBV Institute Practice Standard No. 120 states that an engagement letter is best practice, but is not required. Conversely, the IVS have more extensive requirements for the initiation of a valuation engagement by communicating with the client via a Scope of Work document. Under CBV Institute Practice Standards, the scope of work refers to the work to be conducted and the documents reviewed and relied upon; while under IVS, the term “Scope of Work” is used more broadly.

IVS 101 sets out the requirements for a “Scope of Work” which describes the fundamental terms of the valuation engagement such as the asset(s) being valued, the purpose of the valuation and the responsibilities of parties involved. Wherever possible, the Scope of Work “should be established and \ agreed between parties to a valuation assignment prior to the valuer beginning work”[11]. In circumstances where the scope of a valuation engagement may not be clear at the start, valuers are required to communicate and agree the scope of work to their client as the scope becomes clear, which may be after

9 IVS make reference to the IVSC Code of Ethical Principles for Professional Valuers as an example of an appropriate framework for professional conduct.

10 The IVSC’s Code of Ethical Principles provides further guidance and examples of categories of threats and types of safeguards.

11 Practitioners following CBV Institute Practice Standards often use the term “Scope of Work” in reference to the procedures that were performed and the documents relied upon in the valuation. Under IVS, the Scope of Work effectively represents the agreed upon understanding concerning what is to be done. In practice, this may be viewed as an engagement letter.

the point at which the engagement is commenced.

IVS effectively require a valuer to make their **best attempt** at preparing a Scope of Work document **before starting work on an assignment**[12]. As such, **IVS compliance starts at the beginning of a valuation assignment.** The IVS Scope of Work can be considered the **terms of engagement** and encompass not only the work to be conducted in developing the assignment results, but also all matters that should be disclosed to the client at the start of the assignment. Under IVS, the Scope of Work must be communicated to the client before the assignment is completed.

Compared with CBV Institute Practice Standard No. 120, the IVS have **more specific and explicit requirements** for the initiation of the assignment by communicating with the client via a Scope of Work document, which is required to contain 14 specific elements. Under IVS, the practitioner must ensure that the client and intended users of the valuation understand what is to be provided and any limitations on its use before it is finalized and reported. The IVS Scope of Work should be in written form. The Scope of Work must also be described in the final valuation report. **A valuation report prepared in conformity with CBV Institute Practice Standards without the communication of the Scope of Work to the client prior to assignment completion cannot be subsequently made into an IVS-compliant valuation.**

The 14 specific requirements for the Scope of Work for an IVS-compliant valuation assignment are outlined in the table below, and have been compared for illustrative purposes to CBV Institute's reporting requirements. Practitioners who do not already include such disclosures in their engagement letters should do so and will need to do so under IVS.

Table: Required Components of the Scope of Work

	Required Component of the Scope of Work under IVS	Areas for Practitioners to Consider in Valuation Engagements under IVS
A	**Identity of the valuer** (which may be an individual, group of individuals, or a firm) **Note:** If there is any material connection or involvement between the valuer and the subject asset or parties to the valuation assignment, such involvement or connection must be disclosed. If there are "other factors" that could limit the valuer's ability to provide an unbiased and objective valuation, such factors must be disclosed at the outset. If this disclosure is not provided, the valuation assignment is not in compliance with IVS.	Identifying the valuator (or their firm) is also required by Practice Standard No. 110. This element of the Scope of Work explicitly requires the individual valuation professionals and their firm to disclose any potential for conflicts of interest to their client upfront, and to try to resolve the conflicts. However, if conflicts cannot be appropriately resolved (i.e. through safeguards), the valuer will need to consider whether the engagement should be declined. This element of the Scope of Work also requires that practitioners carefully plan the involvement of any "material assistance" which may be needed from other experts. IVS requires that if a valuer does not possess all of the necessary skills, experience and knowledge to perform all aspects of a valuation, it is acceptable to seek assistance from specialists in certain aspects of the assignment, provided this is disclosed. This may entail the valuer reviewing preliminary information at the engagement acceptance stage and before starting work on the valuation assignment itself.

[12] IVS uses the term "assignment", while CBV Institute uses the word "engagement".

	Required Component of the Scope of Work under IVS	Areas for Practitioners to Consider in Valuation Engagements under IVS
B	**Identity of the client(s)** for whom the valuation assignment is being produced	Under IVS, the term "client" refers to both **internal and external clients.** This is a different, and broader, framework than the CBV Institute Practice Standards, under which "internal use" communications are not within the scope of CBV Institute's reporting standards[13].
C	**Identity of other intended user(s)** (if any) **Note:** IVS 101 suggests that the content and format of a report should be aligned with the needs of the intended user(s).	CBV Institute Practice Standards do not include specific requirements to identify "other intended users" and their needs, but do state that the valuator may want to emphasize that the report is addressed to specific readers. While conceptually aligned, practitioners are reminded to carefully consider and explicitly identify all the intended users of the valuation in the Scope of Work and the report.
D	**Assets being valued** It is critical to clearly define in the Scope of Work the business or business interest being valued and the level at which value is being expressed (enterprise value, equity value, etc.)[14]. Note: Under IVS, an "asset" may include a liability.	Clear identification of a subject asset, business, or business interest is already common practice for practitioners.
E	**The valuation currency** This requirement is particularly important for valuation assignments involving assets in multiple countries and/or cash flows in multiple currencies.	Although it is common practice, this is not technically a requirement under CBV Institute Practice Standards. Accordingly, practitioners may need to adjust engagement letters and reports to ensure that the currency (in which the valuation conclusion will be expressed) is clearly stated when completing a valuation assignment under IVS.
F	**Purpose of the valuation**	The purpose of the valuation must be clearly identified in the final report under Practice Standard No. 110 and will typically influence or determine the basis/bases of value to be used. The purpose of the valuation will also ultimately influence the level of detail appropriate for the report.
G	**Basis/bases of value used** A valuer is required to select the appropriate basis of value and follow all applicable requirements associated with that basis of value, whether those requirements are included as part of IVS (for IVS-defined bases of value) or not (for non-IVS defined bases of value).	The term "basis of value" under IVS differs from "basis of value" under CBV Institute Practice Standards, wherein it refers to the going concern or liquidation basis. Basis of value under IVS refers to the definition of value (fair market value, fair value, etc.) The generally accepted term "Fair Market Value" is not defined within IVS. The valuation basis/definition must be appropriate for the purpose of the valuation, and the source of the definition must be cited or explained. In practice, this means that a practitioner is not prohibited from using the "Fair Market Value" definition for a valuation engagement, so long as this definition is appropriate for the purpose of the engagement.

[13] If in-house employees are used for an internal valuation, e.g. pension fund valuation by the fund's own employees, parts of the IVS "Scope of Work" requirements such as the need to communicate the scope of work to a client and other reporting requirements, may not apply. In fact, IVS specifically allows and contemplates that some aspects of the Scope of Work may be addressed in a company's or fund's internal policies and procedures.

[14] IVS 200, section 20.3.

	Required Component of the Scope of Work under IVS	Areas for Practitioners to Consider in Valuation Engagements under IVS
H	**Valuation date** If the valuation date is different from the date on which the valuation report is issued or the date on which investigations are to be undertaken or completed, then, where appropriate, these dates should be clearly distinguished.	Clear identification of the valuation date before commencing work on a valuation assignment is already common practice for practitioners.
I	**Nature and extent of the valuer's work and any limitations thereon** **Note:** any limitations or restrictions on the inspection, enquiry and/or analysis in the valuation assignment **must** be identified. If relevant information is not available because the conditions of the assignment restrict the investigations, these restrictions and any necessary assumptions or special assumptions must be identified.	Under IVS, "limitations" and restrictions refer to limits on the inspection, inquiry and/or analysis in the valuation assignment, or relevant information that is not available. These limits and the related assumptions that are required must be identified in the Scope of Work. Under CBV Institute Practice Standards, access to essential information is identified through a scope limitation in the final report. This requirement effectively means that a practitioner may need to amend the scope of work as the engagement progresses, if any information is not known up-front.
J	**Nature and sources of information on which the valuer relies and the extent of any verification to be undertaken during the valuation process**	CBV Institute Practice Standard No. 110 requires the practitioner to identify in the report the scope of review - the specific information which was relied upon to arrive at a conclusion - but does not require the practitioner to identify **the extent of verification to be undertaken during the valuation process.** While the extent of verification is inherently implied by the type of report that is issued (calculation, estimate or comprehensive), the IVS require a more specific description of the extent of any verification in the Scope of Work. This will require the practitioner to identify the information required and any verification/analysis considered appropriate before starting work on an assignment, and no later than the time of completion of the assignment.
K	**Significant assumptions and/or special assumptions** **Note:** "Significant assumptions" under IVS are those whose application and/or impact could reasonably be expected to influence the decisions of users of the valuation. "Special assumptions" under IVS are those where the assumed facts differ from those existing at the valuation date or are different from what a typical participant would make ("hypothetical"). Special assumptions are commonly used within the valuation of real property, and generally have limited applicability to business valuation.	Under CBV Institute Practice Standards, the practitioner must disclose the "key assumptions" made in arriving at the valuation conclusion in the valuation report. The spirit of the requirements is the same, as "key assumptions" and "significant assumptions" have the same meaning.

	Required Component of the Scope of Work under IVS	Areas for Practitioners to Consider in Valuation Engagements under IVS
L	**Type of report being prepared** **Note:** The format of the report, that is how the valuation will be communicated, **must** be described in the initial Scope of Work.	Similar to CBV Institute Practice Standards, IVS require that the “format” of the report be agreed upon by all parties (valuer and the client), but unlike CBV Institute Practice Standards, there are no pre-established report types or particular forms of report. The report for an IVS-compliant valuation must simply be sufficient to provide the users with a clear understanding of the valuation and may range from comprehensive narrative reports to abbreviated summary reports. Given that IVS does not define a valuation report or distinguish between different types of reports, practitioners should ensure that the engagement letter includes a description of the type of report as described in CBV Institute Practice Standard No. 110.
M	**Restrictions on use, distribution and publication of the report**	Under IVS, the client must be notified of any restrictions on the use, distribution and publication of the report **upfront** as part of the Scope of Work. Practitioners who do not already include a clause or provision to this effect in their engagement letters should do so and will need to do so under IVS.
N	**Statement that the valuation will be prepared in compliance with IVS and that the valuer will assess the appropriateness of all significant inputs** The nature of any departures must also be explained.	Practitioners must give thought and consideration to what the “significant inputs” to the valuation are likely to be, and whether the practitioner will be able to “assess” their appropriateness, since IVS requires valuers to “perform sufficient analysis to evaluate all inputs and assumptions[15] and their appropriateness for the valuation purpose.” This is important because substantial limitations on investigations whereby the valuer cannot “sufficiently” evaluate the inputs and assumptions would mean the engagement must not state it was performed in compliance with IVS. This may necessitate a **discussion at the outset as to whether or not it is realistic for the practitioner to be able to complete an IVS-compliant valuation.**

VI. Investigation and Analysis of Valuation Inputs and Assumptions under IVS

CBV Institute’s Practice Standards address three types/levels of reports, distinguished primarily by the practitioner’s scope of review and the level of assurance being provided by the conclusion, as well as by the amount of disclosure provided in the resulting report. The amount of work (and extent of review, analysis and corroboration) that is normally appropriate for each of the three types of valuation reports ranges from lower to higher and is subject to professional judgement by the practitioner based on the intended use. Some high-level guidance about the extent of review, analysis and corroboration is provided in CBV Institute Practice Bulletin No. 3.

In general, IVS 102 does not define “investigation” but requires practitioners to conduct investigations that are appropriate for the purpose of the valuation assignment and the bases of value used. IVS 102 requires practitioners to assemble “sufficient evidence” by means such as inspection, inquiry, computation and analysis to ensure that the valuation is properly supported. The extent of “evidence” necessary requires the

[15] IVS 101 par 20.3 (n) refer to “significant” inputs and assumptions (defined as those whose application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation). However, IVS 102 par 20.3 requires valuers to perform sufficient analysis to evaluate all inputs and assumptions and their appropriateness for the valuation purpose.

use of professional judgement. That investigation and analysis must be “sufficient” and “appropriate” for the purpose of the valuation assignment.

This is consistent with CBV Institute Practice Standard No. 120, which also requires “sufficient evidence” to be gathered by such means as inspection, inquiry, computation and analysis to ensure that the valuation report and the conclusion contained therein are properly supported. It is also consistent with Practice Standard No. 110, which requires the practitioner to consider whether the type of valuation report (and the underlying level of work) will be credible for the purpose intended and to ensure that any conclusion expressed will not be misleading to a reader and is not dependent on any assumptions known by the valuator to be false.

However, IVS is more explicit and contains an incremental specific focus on the “significant inputs” to the valuation, requiring a practitioner to **assess the appropriateness of all significant inputs**[16], and to make an explicit statement in this regard to the client in the Scope of Work document. Under both standards, some level of assessment is performed by the practitioner, and the extent of assessment and evidence is subject to professional judgement.

Under IVS, practitioners must give thought and consideration to all the “significant inputs” to the valuation are likely to be, and whether the practitioner will be able to “assess” their appropriateness, since IVS requires valuers to “perform sufficient analysis to evaluate all (presumably significant) inputs and assumptions[17] and their appropriateness for the valuation purpose.” This is important because substantial limitations on investigations whereby the practitioner cannot “sufficiently” evaluate the inputs and assumptions would mean the engagement must not state it was performed in compliance with IVS. This may necessitate a discussion at the outset as to whether or not it is realistic for the practitioner to be able to complete an IVS-compliant valuation. However, an assessment of the significant inputs does not necessarily mean all significant inputs need to be corroborated.

Specifically, IVS 102 states that:

- A valuer should consider whether the source of information used in a valuation assignment is independent of either the subject asset and/or the recipient of the valuation; and
- When a valuation assignment involves reliance on information supplied by a party other than the valuer, consideration should be given to whether the information is credible or that the information may otherwise be relied upon without adversely impacting the credibility of the valuation opinion. In cases where credibility or reliability of information supplied cannot be supported, consideration should be given to whether or how such information is used.

Under IVS, practitioners should ensure that sufficient documentation exists — either in the valuation report or in their engagement files — to demonstrate the sufficiency and appropriateness of the work performed to assess significant valuation inputs and assumptions.

IVS contemplate and address that, in certain circumstances, the valuator and the client may agree on the valuation approaches, methods, and procedures the valuator will use or the extent of procedures to be performed. Depending on the limitations placed on the valuator and procedures performed, such circumstances may result in a valuation that is not IVS compliant.

In engagements where the valuator is asked to take specific instructions from their client or their client’s legal counsel with respect to a particular valuation approach or particular valuation inputs,

[16] IVS 101, Scope of Work, par 20.3 (n).

[17] IVS 101 par 20.3 (n) refers to “significant” inputs and assumptions (defined as those whose application and/or impact on the valuation could reasonably be expected to influence the economic or other decisions of users of the valuation. However, IVS 102 par 20.3 requires valuers to perform sufficient analysis to evaluate all inputs and assumptions and their appropriateness for the valuation purpose.

careful consideration is required. As IVS require the valuator to make impartial judgements as to the appropriateness of inputs and assumptions, the valuator may not be able to state that the valuation was performed in accordance with IVS if the resulting valuation is not credible, or if the inputs are not appropriate for the valuation purpose. Professional judgement should be used and reference should be made to IVS 102, particularly paragraphs 20.2, 20.3, 20.4 and 20.7. The extent of investigations that are appropriate remain subject to professional judgement, based on the intended use/purpose of the valuation.

VII. Calculation Valuation Report Engagements

Calculation Valuation Reports, as defined by the CBV Institute Practice Standards, constitute valuation conclusions and are underpinned by appropriate evidence such that the Calculation Valuation Report and its conclusion are properly supported. They are a form of valuation where the practitioner uses their professional judgement to determine that a somewhat lower level of assurance could be provided under the circumstances based on the purpose and use of the valuation. Under CBV Institute Practice Standard No. 110, a Calculation Valuation Report contains a conclusion as to the value of shares, assets or an interest in a business that is based on "minimal review and analysis and little to no corroboration of relevant information", and generally set out in a brief valuation report. In practice, CBV Institute's calculation valuation engagements are discussed and agreed on by the practitioner and the client in consideration of the purpose of the valuation, the availability of information on which to base a conclusion, and the client's need for assurance[18].

This concept of "assurance" is not explicit in IVS. The concept, however, is reflected by IVS via the general principle that valuations must be suitable for the purpose[19]. IVS effectively acknowledge and contemplate that different engagements will provide differing levels of assurance to the client and intended user, given that the extent of investigation will naturally differ and vary based on the purpose of each valuation assignment and its basis(es) of value. Under both standards, professional judgement is required to determine the appropriate extent of evidence and work to be undertaken, and may be impacted by the availability of information. Calculation Valuation Reports are used by CBVs when they are suitable for the purpose, so the spirit of both standards is similar.

IVS also requires that significant inputs provided to the valuer (i.e. by management/owners) should be considered, investigated, and/or corroborated. In cases where credibility or reliability of information supplied cannot be supported, consideration should be given by a valuer as to whether or how such information is used.

For example, with respect to cash flow projections and forecasts, CBV Institute guidance[20] for a calculation-level valuation suggests a "minimal level review of assumptions and reliance on management representations without in-depth analysis, review, and/or assessment". On the other hand, IVS requires the valuer to "assess the appropriateness of all significant inputs" (IVS 101) and that "regardless of the source of the prospective financial information, a valuer must perform analysis to evaluate the PFI, the assumptions underlying the PFI and their appropriateness for the valuation purpose." (IVS 105).

Calculation valuation engagements may require practitioners to pay special attention to all

[18] In this context, assurance refers to the confidence or reliability level that is suitable to the purpose and intended user of the valuation. A CBV uses professional judgment to assess when a lower assurance valuation may be appropriate, and this impacts the extent of the review, analysis and corroboration undertaken.

[19] IVS 102 states: "valuation assignments, including valuation reviews, must be conducted in accordance with all of the principles set out in IVS that are appropriate for the purpose and the terms and conditions set out in the scope of work."

[20] CBV Institute Practice Bulletin No. 3 – Guidance on the Types of Valuation Reports.

of the significant valuation inputs in order to meet the more explicit IVS 102 requirement for "investigation". A practitioner wishing to issue an IVS-compliant Calculation Valuation Report is reminded to perform sufficient work on the significant valuation inputs to meet the threshold required by IVS.

VIII. Qualified Valuation Conclusions

Under CBV Institute Practice Standards, practitioners can issue valuation reports that are subject to certain qualifications (for example, a conclusion qualified by a scope limitation when the practitioner is denied access to certain information) so long as the qualifications affecting the conclusion are disclosed[21]. However, in situations where the scope has been significantly restricted, or information provided is substantially incomplete, the valuator must determine if an unqualified conclusion can be provided.

Under IVS, qualified reports are not permitted where the qualification is due to a significant input or assumption. This is an area of slight difference between CBV Institute Practice Standards and IVS: a valuer must be able to sufficiently and appropriately support the inputs and assumptions used for the valuation; if this is not possible, then a valuation cannot be IVS-compliant.

In practice, qualified reports where the limitation is due to a significant input to the valuation, are rare. If the limitation is severe, under both standards, the practitioner would be unable to conclude on value. Professional judgement is required in situations where the limitation could be important to the valuation conclusion.

IVS contemplate that relevant information may not be available due to the conditions of the valuation assignment which restrict investigations, or that limits may be agreed on the extent of the valuer's investigations. Any such limits or limitations must be noted in the Scope of Work and the final valuation report. However, it is important to understand that it is not the intention of the IVSC that any valuation assignment can claim compliance with IVS so long as the limitations on investigations are disclosed. In fact, while the extent of investigations may be limited by agreement with clients, compliance with IVS still requires that the valuer perform sufficient procedures to assess all significant inputs and assumptions and their appropriateness for use in the valuation. IVS 102 states that if, during the course of an assignment, it becomes clear that the investigations included in the scope of work will not result in a credible valuation, or information to be provided by third parties is either unavailable or inadequate, or limitations on investigations are so substantial that the valuer cannot sufficiently evaluate the inputs and assumptions, the valuation assignment will not comply with IVS.

IX. Additional Guidance on Valuation Approaches and Methods under IVS

IVS provide more detailed authoritative guidance on various valuation approaches and methods and how they should be used by valuers. The specific requirements are detailed in IVS 105. Examples where IVS contains additional guidance than what is available under CBV Institute Practice Standards include consideration of multiple valuation methods and approaches, and guidance on when certain methods and approaches should be accorded more or less weight.[22]

IVS 105 is also more prescriptive in how the market, income and cost approach should be employed. **CBV**

21 Under CBV Institute Practice Standard No. 120, "when access to essential information is denied by the client or some other party, or is otherwise unavailable to the Valuator, any conclusion expressed by the Valuator in respect of such valuation shall be qualified and the limitation{s} on the scope of work clearly set out in the Valuation Report."

22 Under IVS, weighting refers to the process of analyzing and reconciling differing indications of values, typically form different methods and/or approaches. Averaging of valuations is not acceptable.

Institute Practice Standards do not address this level of application guidance. While many of these considerations should be common practice in valuation assignments completed under CBV Institute Practice Standards, practitioners should ensure that the specific requirements of IVS 105 are adequately addressed and/or documented in a valuation assignment under IVS.

Guidance on the Market Approach under IVS

In general, IVS 105 is more prescriptive in how the market approach should be employed as compared to the CBV Institute Practice Standards No. 110 and 120 by explicitly stating the circumstances when the market approach should be applied and afforded significant "weight", requiring the practitioner to perform a comparative analysis of quantitative and qualitative similarities and differences between the comparable assets and the subject asset, and to make adjustments based on this analysis, etc.

IVS explicitly state a preference for observable market data and that practitioners should maximize the use of relevant observable market information in all three approaches. IVS also contain requirements for adjustments to market information under the market approach when comparable market information does not relate to the exact or substantially the same asset. IVS specifically discourages the use of anecdotal or "rule-of-thumb" valuation metrics[23].

Guidance on the Income Approach under IVS

In general, IVS 105 is more prescriptive in how the income approach should be employed as compared to CBV Institute Practice Standards No. 110 and 120, by explaining the circumstances in which an income approach should be applied and afforded significant weight in a valuation, for example, or by providing authoritative guidance on the factors that practitioners should consider in developing discount rates.

Guidance on the Cost Approach under IVS

In general, IVS 105 is more prescriptive in how the cost approach should be employed as compared to CBV Institute Practice Standards No. 110 and 120 by addressing the circumstances in which the cost approach should be applied and afforded significant weight in a valuation.

The summation method (or adjusted book value method) is commonly used by practitioners in situations involving investment holding companies or businesses which do not generate a sufficient return on capital to warrant the use of an income approach. IVS requires that when valuing individual assets or liabilities owned by a business, valuers should follow the applicable standard for that type of asset or liability, e.g., IVS 210 for intangible assets, IVS 400 for real estate, etc.

In situations where a practitioner is using the summation method to value a business, they should ensure that all assets and liabilities are valued in accordance with the appropriate IVS asset standard for each component asset or liability.

X. Additional Guidance on Key Issues in Valuing Businesses and Business Interests under IVS

As compared to CBV Institute Practice Standards, IVS provide more detailed authoritative guidance on key issues that should be considered by valuers in valuing a business or business interest such as:

[23] IVS state that "value indications derived from the use of a rule-of-thumb benchmarks should not be given substantial weight unless it can be shown that buyers and sellers place significant reliance on them (IVS 105, par 30.16).

- Use of comparables in valuing business interests
- Use of the income approach in valuing business interests
- Impact of ownership rights on the valuation of business interests
- Review of business information
- Capital structure considerations.

IVS 200 states that a valuer must assess the reasonableness of information received from management, representatives from management or other experts and evaluate whether it is appropriate to rely on the information for the valuation purpose.

The detailed and explicit level of guidance within IVS is a significant difference from the way CBV Institute Practice Standards are framed. The Practice Standards and Practice Bulletins do not provide this level of guidance on conducting business valuations and what should be considered in valuing a business. The Practice Standards rely on CBVs having the technical competence required from having undergone rigorous training as business valuators through the CBV Qualification Program (including the Program of Studies, Membership Qualification Examination, and specific professional experience requirements), which cover the same topics as IVS 200.

XI. Additional Guidance on Intangible Asset Valuation Methods under IVS

As compared to Appendix B to CBV Institute Practice Standard No. 110 - Valuation for Financial Reporting, IVS 210 contains more guidance and specific mechanics on the valuation of intangible assets and identifies the different types of methods for valuing intangible assets under the income approach (e.g. excess earnings method, relief-from-royalty method, premium profit or with-and-without method, greenfield method, distributor method) and provides guidance on how these methods should be applied. The guidance provided for each of these methods is incremental to CBV Institute Practice Standards, but is covered by CBV Institute's Program of Studies.

XII. File Documentation under IVS

The IVS requirements for file documentation in IVS 102 are similar to those in CBV Institute's Practice Standards. The valuation record must include the work performed and on which the conclusions were reached, and include the key inputs, all calculations, investigations and analyses relevant to the final conclusion, and a copy of any draft or final report(s) provided to the client.

However, there are numerous instances where compliance with IVS may require a practitioner to increase their documentation. For example, if not following a "should" item in IVS, a valuer must document in their file how they have met the objectives of IVS by alternative means and why the indicated action was not deemed to be necessary and/or appropriate. Consequently, practitioners may need to increase their level of file documentation to ensure that these considerations have been adequately documented in executing an IVS compliant valuation assignment.

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