

INTANGIBLE ASSET VALUATIONS: BRIDGING THE GAP

TORONTO, December 20, 2021 - CBV Institute commends our associates at CPA Ontario for casting a spotlight on the challenging space of intangible assets, in this month's release of **"You Can't Touch This: The Intangible Assets Debate"**. This thorough publication validates the vital role intangible assets serve as engines of innovation and economic growth.

At CBV Institute, we couldn't agree more. The International Valuation Standards Council, of which CBV Institute is a member and active participant, published several insights papers like **this one** in 2021 which tackle these very issues.

We hope that by adding our unique perspective to this important conversation, it will open doors that will progress to pragmatic solutions beneficial to the public interest.

WHAT'S THE DEBATE?

Accountants are grappling with the issue of intangible assets. The publication from CPA Ontario rightly challenges CPAs to clarify their role in this fundamentally important area going forward.

- The paper draws attention to the critical question of whether accounting rules should be applied to internally-generated intangible assets.
- It references the current debate amongst accounting standard setters concerning the benefits of lessening the distortions between acquired and internally generated intangibles versus the risks of lending credibility to their valuations.
- It cites concerns in the difficulty of measuring intangibles and the mounting momentum to rethink historic approaches that rely on cost as a measure of value and expenses the very efforts which create these fundamentally important assets.

VALUING INTANGIBLE ASSETS IS WHAT CBV EXPERTS DO

Without a doubt, the valuation of intangible assets is complex, difficult, and sometimes hairy. It is also risky, as it is future-looking and necessitates making informed assumptions about uncertain and unknown events.

The CBV profession in Canada has been valuing businesses and intangible assets for over 50 years. To provide these services requires specialized education and accreditation. It requires a thorough understanding of the business involved, the industry in which it operates, and market transactions. CBVs take knowledge from multiple disciplines into account: valuation theory, economics, finance, taxation, and more.

Some of the intangible assets that CBVs value include: brands; trademarks and tradenames; non-fungible tokens (NFTs) and other cryptoassets; licenses, royalty, operating, or broadcast rights; software and technology; trade secrets; customer relationships; and human capital.

The CPA Ontario paper challenges CPAs to embrace an intangible based economy that is already here, but cautions them to know where to draw the line. We challenge CPAs to **become a CBV**. Cross the line.



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