



FREQUENTLY ASKED QUESTIONS - REVISIONS TO PRACTICE STANDARDS TO INCLUDE INTERNATIONAL VALUATION STANDARDS (IVS) AS PART OF CBV INSTITUTE'S SUITE OF PRACTICE STANDARDS FOR INDEPENDENT VALUATION CONCLUSIONS AND VALUATION REPORTS

September 19, 2023

At its meeting on July 26, 2023 the Professional Practice and Standards Committee (PPSC) decided to move forward and recommend that the Institute incorporate and adopt IVS as issued and updated from time to time by the IVSC as part of CBV Institute's suite of acceptable valuation standards for independent valuation conclusions, to be used alongside and as the sole acceptable alternative to Practice Standards Nos 110, 120 and 130 (PS 110/120/130). This is a form of IVS "adoption" which provides CBVs and Registered Students **the option** to use IVS for valuation engagements where PS 110/120/130 would otherwise apply. Valuers can choose either PS 110/120/130 (and follow all of their requirements) **or** IVS (and follow all of the IVS requirements); therefore, (and if this PPSC recommendation is accepted) IVS would be optional, not required.

The PPSC's analysis of IVS concluded that the IVS¹ represents a robust set of standards that cover the development and reporting of a valuation conclusion, in the public interest, and incorporate all relevant elements of valuation theory and practice, and that the acceptance and use of IVS would be beneficial to CBVs and to the CBV profession as an alternative option to the CBV Institute's valuation Practice Standards (PS 110/120/130).

¹ The PPSC made this decision based on IVS 2022, issued and effective January 31, 2022.

1. Why is CBV Institute incorporating IVS into the Practice Standards at this time?

Answer: As set out in the [December 21, 2022 CBV Institute Exposure Draft](#), there are many reasons for incorporating IVS into the Practice Standards, including:

- CBVs are increasingly providing valuation services for clients outside the Canadian marketplace;*
- CBV Institute and CBVs have had a leading role in shaping IVS into what they are today – the leading internationally recognized standards for valuations of all asset types, including business valuation;*
- CBV Institute and CBV professionals have an important seat at the standard-setting table with its strong representation on IVSC Boards and committees;*
- The IVS are rapidly gaining recognition and acceptance in international markets, and clients are demanding that the valuation profession work to reduce its fragmentation. IVS have already been adopted, embraced, promulgated or required by many valuation professional organizations, firms and regulators internationally. 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;*
- Adoption and use of IVS will enhance the global brand of the CBV profession.*

2. Where will IVS be built into our Practice Standards?

Answer: The option to use IVS will be built into the new CBV Institute Practice Standard No. 100. Refer to the Institute's [Practice Standards](#) page.

PS 100 states that IVS, as issued by the IVSC, is being adopted (without articulating IVS 2022, or other version), such that the latest version of IVS (automatically) forms part of the Practice Standards. Prior versions of IVS, should a Valuator choose to use them, will also form part of our Practice Standards, starting with the date of adoption of IVS, September 19, 2023.

Note that PS 100 will not make any explicit reference to the version or edition of IVS (i.e., IVS 2022). This is intentional. CBV Institute is adopting IVS as issued by the IVSC, in whatever future form IVS will take. This means that CBV Institute also automatically adopts any future versions of IVS, as issued by the IVSC. IVS will thereby be incorporated, in its entirety, without modifications, into CBV Institute's suite of valuation practice standards, without the need for CBV Institute to "opt in" to new editions of IVS each time any updates are made by the IVSC.

The PPSC is comfortable incorporating IVS "as is", and relying on the IVSC's due process, which include exposure drafts allowing for review and input by the PPSC and CBV membership. The PPSC is satisfied with the IVSC's robust standard-setting process and is confident that any future changes made to the IVS would be in the best interest of the valuation profession.

3. When will this standard revision be effective? When can I start to use IVS in my valuation engagements?

Answer: CBVs can begin to use IVS in any engagements starting on September 19, 2023 (the date of approval by the CBV Institute Board of Directors) and with valuation dates starting on January 31, 2022. For valuation engagements with historical valuation dates, it is important to note that IVS only began being approved for use by CBV Institute on September 19, 2023, and therefore a historical or prior version of IVS before this date could not be used. For example, if a CBV gets retained by a client in December 2023 to perform a valuation with a valuation date of June 2021, the CBV could not opt out of the CBV Institute's valuation Practice Standards by opting to use the version of IVS that was issued by the IVSC and in effect in 2021. The CBV could only use IVS for valuation dates starting on or after January 31, 2022, and for engagements starting on or after September 19, 2023.

4. What will be CBV Institute's role going forward in the development of IVS and monitoring of changes to IVS? How will revisions to IVS be handled in CBV Institute's practice standards? What happens if CBV Institute would ever disagree with certain future revisions to IVS?

Answer: The IVSC has robust due processes² as an international standard-setter for the profession. The IVSC's mandate is to make targeted improvements and to reissue IVS approximately every two years, a process in which CBV Institute is actively involved.

CBV Institute is presently, and is expected to continue to be, actively involved with the IVSC in various capacities, as both a member and sponsor of the IVSC. CBV Institute influences the development of IVS and revisions to IVS through its leadership and representation on IVSC Technical Boards (the Business Valuation Board, and the Financial Instruments Board), as well as on the IVSC Board of Trustees and the Membership and Standards Recognition Board and the IVSC's Advisory Forum Working Group, all venues which feed into the IVSC's standards-setting agenda. CBV professionals, including CBV Institute staff, are proud to serve on a variety of IVSC boards and working groups on current issues, which shape the future of IVS. Through these working groups, CBV Institute has its finger on the pulse of IVS developments and provides active input on specific issues and revisions to IVS.

CBV Institute (through its PPSC) will carefully review and assess the impacts of any IVS revisions and submit formal comments to the IVSC via its public consultation process, including on any areas of disagreement. If the PPSC disagrees with any future revisions to IVS in a

² A discussion of all of the IVSC's due processes are beyond the scope of this FAQ, however, the due processes are described in CBV Institute's IVS course, available [here](#), as well as on the IVSC's website.

significant way, the Institute could take steps to remove IVS from the suite of acceptable practice standards at that time.

5. Under what circumstances can IVS be used?

Answer: The use of IVS will be permitted whenever it is appropriate based on engagement facts and circumstances. Use of IVS may be appropriate if IVS is required by law, regulation, agreement, jurisdictional requirements or as otherwise considered appropriate in the circumstances of the engagement. In practice, it may be appropriate to apply and follow IVS in the following circumstances – when the valuation engagement is for an international client or user/audience, pertains to a business with global operations, or an entity with global investments.

A Valuator is required to apply professional judgment and appropriate consultation with the client(s) and user(s) in determining whether to apply IVS or PS 110/120/130.

6. When should IVS not be used?

Answer: CBV Institute does not intend to specify situations when IVS cannot be used. A Valuator should be sufficiently familiar with IVS requirements prior to using or considering the use of IVS in an engagement situation.

7. If a Valuator meets CBV Institute’s valuation Practice Standards (PS 110/120/130), has IVS also been met?

Answer: Not necessarily. Compliance with CBV Institute Practice Standards 110/120/130 does not automatically mean compliance with IVS. IVS may contain additional requirements in some instances. It is a practitioner’s obligation to comply with applicable professional standards.

An engagement where the scope of work meets CBV Institute PS 110/120/130, but is less than the work required by IVS, will not be eligible to state compliance with IVS. An example of this may be a Calculation Valuation Report under PS 110/120/130.

8. Will CBV Institute maintain domestic valuation practice standards (i.e., PS 110/120/130)?

Answer: Yes. CBV Institute will continue to maintain the existing business valuation Practice Standards – namely PS 110/120/130, including Appendix A and B to PS 110, and related practice bulletins.

9. Is CBV Institute allowing or requiring the use of IVS?

Answer: CBV Institute is allowing the use of IVS (as an option where appropriate), not requiring the use of IVS. Practitioners will have the option to continue using PS 110/120/130 for all of their engagements, if they choose to do so.

10. How will having two sets of valuation standards work?

Answer: It is not uncommon for a regulator or self-regulating entity to have two sets of parallel standards. So long as valuation reports (and engagement letters) clearly disclose which set of standards they are complying with, the user should be clear on which standards have been followed. Similar to the use of IFRS and ASPE, which together make up Generally Accepted Accounting Principles (GAAP) in Canada, CBV Institute will have IVS and PS 110/120/130, which will make up the “valuation practice standards”. For instance, IFRS is to be applied by public companies and other publicly accountable enterprises, while ASPE was designed for private companies, although private companies may choose to use IFRS, and should adopt IFRS when a business need requires it. Similarly, a Valuator (CBV or Registered Student of CBV Institute) may choose to use IVS whenever it is deemed appropriate.

There must be clear disclosure in the valuation report, the valuation engagement letter, and the engagement files as to which valuation standards are being used – IVS or PS 110/120/130.

11. Can I use both IVS and PS 110/120/130 for the same engagement?

Answer: Yes. There is nothing to prevent a Member or Registered Student from issuing a valuation report that complies with both IVS and PS 110/120/130, so long as both sets of standards have been met. If both sets of standards are followed, the valuation report may disclose that both sets of standards have been complied with. There is no IVSC or CBV Institute requirement, however, to issue reports under both sets of standards.

12. What about the differences between IVS and CBV Institute valuation standards?

Answer: The IVS provide a rigorous framework that formalizes what, the CBV Institute believes, are already best practices of the CBV profession. The IVS are largely consistent with PS 110/120/130, although there are important differences. Refer to the document [A Bridge from CBV Institute Practice Standards to IVS](#), which discusses similarities and differences between the two sets of standards from a CBV’s viewpoint.

13. Will I need training in IVS before using it?

Answer: Prior to using IVS, Members and Registered Students must understand and be proficient with the requirements of IVS. Proficiency can be attained via a variety of formal and informal steps and processes, including through self-study, by taking CBV Institute’s IVS course, or by other means. Compliance with professional standards is the obligation and

responsibility of the Member (or Registered Student). Formal training in IVS will not be required by CBV Institute.

14. Will valuation conclusions and valuation reports prepared in compliance with IVS be subject to practice inspection by CBV Institute? (Is CBV Institute going to assess whether a valuation report meets IVS?)

Answer: Yes. Valuers selected for practice inspection should list IVS engagements in their list of work products and may be subject to inspection of these engagements.

15. What should my valuation reports state compliance with? Currently, my valuation reports include a statement that “the Valuation Report has been prepared in conformity with the Practice Standards of The Canadian Institute of Chartered Business Valuators”. Since IVS will be part of the Practice Standards of CICBV going forward, what should my compliance statement look like?

Answer: Your compliance statement will differ based on which sets of valuation standards you are following.

Should you choose to issue a report in compliance with IVS, as per the requirements of the IVSC, you must include a statement in the report that the valuation was prepared in compliance with IVS. Your valuation reports will therefore include a statement that “this Valuation Report has been prepared in conformity with the International Valuation Standards as issued by the IVSC.” CBVs using IVS should monitor IVS for changes in the required statement of compliance.

If you choose to follow PS 110/120/130, your reports will state the Valuation Report has been prepared in conformity with (Practice Standards Nos. 110, 120 and 130) of The Canadian Institute of Chartered Business Valuators.

If you have met both sets of valuation standards, you would state that “this Valuation Report has been prepared in conformity with International Valuation Standards as issued by the IVSC, and with Practice Standards Nos. 110, 120 and 130 of The Canadian Institute of Chartered Business Valuators.”

16. Can I still issue Calculation Reports?

Answer: Yes, you may continue to issue Calculation Reports to clients under PS 110/120/130. Use of IVS is optional.

Valuators can continue to follow CBV Institute Practice Standards and continue to issue any of the current suite of CBV Institute valuation reports (Calculation Valuation Reports, Estimate Valuation Reports and Comprehensive Valuation Reports).

17. Incorporating IVS into CBV Institute’s suite of practice standards is a form of “adoption” – does this mean that internal or in-house CBVs (who are not caught by existing PS 110 reporting requirements) will need to comply with IVS reporting requirements? Will CBVs at pension plans be required to comply with IVS?

Answer: CBVs at pension plans may choose to comply with IVS but are not required to do so by the CBV Institute. Use of IVS is optional for all Members and Registered Students of CBV Institute.

Should they choose to comply with IVS, Valuators 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.

Should internal Valuators choose not to comply with IVS, there will be no impact of the IVS option. In such circumstances, the Valuators will be governed by CBV Institute’s reporting standards, as described in [CBV Institute Practice Bulletin No. 5](#) (refer specifically to the section on Internal Communications).

18. Can a PS 210 Advisory Report state compliance with IVS?

Answer: It depends. An Advisory Report (issued under Practice Standard No 210) is one where the Valuator/Expert has not been engaged to act independently. IVS requires objectivity and states that “It is a fundamental expectation that, when applying these standards, appropriate controls and procedures are in place to ensure the necessary degree of objectivity in the valuation process so that the results are free from bias.”

Members are encouraged to consult with Institute staff on the engagement-specific facts and circumstances and the applicability of the standards.

19. Where can I view and download the latest version of IVS?

Answer: The current version of IVS is available for download on CBV Institute’s webpage for Practice Standards, here: <https://cbvinstitute.com/members-students/standards-ethics/practice-standards/>

20. Is IVS training provided by CBV Institute?

Answer: Yes. CBV Institute has developed and is offering Members and Registered Students a free, 3-hour course on IVS. This custom course was designed and created by CBVs for CBVs. It is based on the 2022 version of IVS (effective January 31, 2022). This course will be updated by the Institute once the latest edition of IVS is published, and on an ongoing basis. It covers certain basics of IVS. The course can be accessed here:

<https://cbvinstitute.com/events/international-valuation-standards-online-course/>. This course may not be sufficient to satisfy the understanding required for a CBV or Registered Student to conduct a complex valuation under IVS. The responsibility is on the CBV or Registered Student to ensure that their understanding and proficiency in IVS is sufficient to use the IVS option for a valuation project.

21. What additional resources and/or support will be available from the Institute if I decide to use IVS for my valuation engagements?

Answer: Valuers who decide to use IVS for valuation engagements and have questions in relation to application guidance may consult with CBV Institute. As with all questions related to professional practice issues (standards, ethics or disciplinary matters), Members may contact CBV Institute's VP of Regulatory & Standards. CBV Institute may direct members to other resources, including those of the IVSC.

22. Will CBV Institute provide any examples of IVS-compliant reports?

Answer: It is not CBV Institute's practice to provide examples or templates of reports, and this extends to reports prepared in compliance with IVS.

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.

23. How will this impact the rest of CBV Institute's Practice Standards? For example, what if I were asked to issue a limited critique of an IVS-compliant report?

Answer: In most instances, it has no impact on the rest of CBV Institute's Practice Standards. Note 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. It is a practitioner's obligation to comply with applicable standards.

If asked to critique a valuation prepared in accordance with IVS, a CBV would follow Practice Standards Nos. 410, 420 and 430 for Limited Critique Reports. CBV Institute has not approved any option to comply with IVS rather than CBV Institute Practice Standards for any reports (e.g., Limited Critique Reports, Expert Reports) other than valuation reports. CBVs can provide comments on another report that contains a conclusion as to the value of shares, assets, or an

interest in a business, or a conclusion as to the quantum of financial gain/loss, even when this conclusion has been prepared in accordance with IVS (or any other sets of standards). The Limited Critique Report in this situation should meet CBV Institute standards (PS 410/420/430) and clearly identify that the Original Report being reviewed was prepared in compliance with IVS.

24. Were Members consulted prior to recommending the optional adoption of IVS?

Answer: Yes. Members were consulted via CBV Institute’s exposure draft dated December 21, 2022. Comments were received, and the Professional Practice and Standards Committee (PPSC) reviewed all feedback prior to making its recommendation. The formal Exposure Draft document can be found [here](#). Members who responded to the Exposure Draft expressed broad support for the adoption for optional use of IVS, alongside PS 110/120/130 for independent valuation conclusions.

25. Will CBV Institute move to make IVS mandatory in the future?

Answer: CBV Institute has no plans to consider a mandatory adoption of IVS. CBV Institute’s valuation Practice Standards remain highly relevant, trusted and suitable for the majority of work performed by Valuers in Canada.