



PRACTICE STANDARD NO. 130

VALUATION CONCLUSIONS AND VALUATION REPORTS

FILE DOCUMENTATION STANDARDS

1. The following General and Specific Standards apply to all levels of Valuation Conclusions (i.e., Comprehensive, Estimate, and Calculation), unless otherwise indicated.
2. At a minimum, file documentation for a Valuation Conclusion must consist of the following items set out in **bold** characters. “*Explanatory comments*” provide additional guidance in applying the specific provisions of the Standard. This standard applies to written Valuation Conclusions (Valuation Reports) as well as oral Valuation Conclusions.
3. **General Standards**
 - A. **Procedures undertaken and factors considered to ensure the independence and objectivity of the Valuator.** (*Explanatory comment:* this requirement comes from sections 401.2 and 401.3 of CBV Institute’s Code of Ethics. A Valuator providing independent professional services must, in respect of the particular engagement, be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the Valuator or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the Valuator. To meet this requirement, Valuators will likely implement a conflicts management process within their practices or firms. Records of these processes and procedures should be appropriate to the size of the firm or practice. The processes should apply to the Valuator and all engagement team members.)
 - B. **Work performed in the course of a valuation engagement shall be documented and files must be maintained in an organized manner.**
 - C. **The form and extent of working papers must suit the circumstances and needs of the engagement for which they are prepared and take into consideration the level of Valuation Conclusion required.**
 - D. **All documents and working papers evidencing the nature and extent of work performed must be retained for a reasonable time following completion of the engagement.** (*Explanatory comment:* in accordance with CBV Institute’s Mandatory Practice Inspection Program, documents should be retained for five calendar years following the date of the Valuation Report. Other document retention requirements may apply based on the purpose and intended use of the Valuation Reports.)
 - E. **The identities of the Valuators performing the valuation engagement must be documented.**

4. Specific Standards

- A. **A copy of the final issued Valuation Report must be retained on file. When the Valuation Conclusion was not conveyed through a written Valuation Report, the oral report communicated to the party who engaged the Valuator must be documented and retained on file.**
- B. **The engagement agreement and any instructions from the client (or the client's representative such as legal counsel) must be documented and retained on file.**
- C. **Summaries of key meetings, discussions and correspondence must be retained on file.**
- D. **The Valuator must either retain on file, or have access to, information upon which he or she relied in conducting the valuation engagement.** (*Explanatory comments:* provided they are relevant to the Valuation Conclusion and available, the following documents should normally be retained on file, or be summarized with the resulting summaries retained on file:
 - i. Significant information that provides the Valuator with an understanding of the subject of the valuation and its underlying business operations (e.g., articles of incorporation, minutes of board meetings, product information, resumes pertaining to the experience and qualifications of key members of management, material agreements, and reports or studies on environmental issues);
 - ii. Financial statements or a summary of historical operating results and financial position of the underlying business;
 - iii. Future oriented financial information, such as financial projections, forecasts, and budgets;
 - iv. Information regarding the industry analyses performed (e.g., key trends per industry or trade publications, regulations, stock exchange filings and share price histories, comparable market transactions); and
 - v. Information regarding the general economic review performed.)
- E. **The premise of value, basis of value, valuation approach(es), valuation method(s) and techniques selected must be documented, along with the reasoning for selection. Significant components of the valuation considered by the Valuator and significant inputs and assumptions used must also be documented. A copy of the valuation calculations, including all explanations and supporting documentation necessary to replicate the valuation results supporting the Valuation Conclusion, must be retained on file.** (*Explanatory comment:* this documentation standard will be met if this information is included in the Valuation Report itself.)
- F. **Documentation to evidence the quality review process must be retained on file.**
- G. **Where the work of a specialist is relied upon, the conclusions arrived at by the specialist must be documented, and when a written report prepared by the specialist is obtained, a copy thereof must be retained on file.**
- H. **When the Valuator has determined that a client representations letter and/or a management representations letter is necessary, this (these) letter(s) must be**

retained on file. When the representations letter(s) indicates that the client or management relied on a draft copy of the Valuation Report in order to make its representations, that draft copy must be retained on file. When no representations letter has been received, the Valuator's file must document why no such letter was obtained.

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