NACVA | GACVA

National Association of Certified Valuators and Analysts
Global Association of Certified Valuators and Analysts

The Core Body of Knowledge for Business Valuations

I.	**Overview**	**4.0%**
A.	Purpose for business valuation	1.0%
	1. Financial reporting	
	2. Tax valuations	
	3. Dispute resolution (e.g., divorce, shareholder disputes, damages, arbitration, business planning)	
	4. Transaction advisory (e.g., merger and acquisition, exit planning, management buyouts)	
	5. Regulatory compliance (e.g., healthcare, ESOPs)	
	6. Relationship between purpose of the valuation and standard of value	
B.	Standards of value	1.0%
	1. Fair market value	
	2. Market value	
	3. Investment value	
	4. Strategic value	
	5. Statutory fair value/equitable value	
	6. Financial reporting fair value	
	7. Intrinsic value	
C.	Premise of value	0.5%
	1. Going concern	
	2. Assemblage of assets	
	3. Liquidation (orderly or forced)	
D.	Principles of valuation	1.0%
	1. Value is estimated as of specific point in time	
	2. Value reflects prospective benefit stream	
	3. Value reflects the level of risk	
E.	Levels of value	0.5%
	1. Level of control	
	2. Level of marketability	
	3. Level of liquidity	
	4. Level of strategic advantage	
F.	General aspects of Overview not falling in any of the sub-categories above	0.0%
II.	**NACVA/GACVA Professional Responsibilities and Standards**	**7.5%**
A.	Scope of services and development	2.0%
B.	General and ethical principles	2.0%
C.	Reporting and review	2.5%
D.	Responsibilities of the valuation analyst in dispute resolution services	1.0%
E.	General aspects of Professional Responsibilities and Standards not falling in any of the sub-categories above	0.0%
III.	**Engagement Acceptance and Planning**	**4.5%**
A.	Define the engagement	1.75%
	1. Valuation date	
	2. Structure of the entity	
	3. Interest being valued	
	4. Purpose of valuation	
	5. Scope and limitations	
	6. Define user (e.g., who is client, who is paying)	

7. Standard of value and premise of value
8. Conflict of interest (actual or perceived)
9. Terms of engagement
    a) Ability to withdraw
    b) Responsibilities of appraiser
    c) Responsibilities of client
    d) Statement of confidentiality
    e) Statement of independence
    f) Billing terms (e.g., who pay, amounts, actual payment terms)
    g) Dispute resolution of engagement
    h) Possible use of 3rd parties
    i) Firm vs. individual (e.g., team approach)
    j) Integrity of information relied upon
    k) Indemnification

B. Engagement letters 1.75%
1. Communicate understanding/agreement of assignment (preferably formal)

C. Acceptance 1.0%
1. Experience
2. Expertise or ability to secure expertise
3. Staffing of engagement (e.g., in house/outsourced)
4. Reconcile expectations between user and valuator

D. General aspects of Engagement Acceptance and Planning not falling in any of the sub-categories above 0.0%

IV. Qualitative Analysis 9.5%

A. List sources of information 1.0%

B. Economic environment 2.0%
1. Macro-environment
2. Micro-environment
3. Relationship of economic activity to the valuation

C. Industry background 3.0%
1. Economic data
2. Structure, trends, and life cycle
3. Market and competitive analysis

D. Company background 3.5%
1. Products and services
2. Company structure and ownership
3. Site visit and interviews with key personnel
4. History and nature
5. Economic data (pricing power, trends)
6. Demand curve per product (elasticity of demand)
7. SWOT analysis (strengths, weaknesses, opportunities, and threats)

E. General aspects of Qualitative Analysis not falling in any of the sub-categories above 0.0%

V. Quantitative Analysis 16.5%

A. Financial information 4.5%
1. Source (audited/reviewed/compiled/internal financial statements, tax returns)

2. Number of years to obtain
3. Ratio analysis
4. Common size analysis
5. Trend analysis over the sampled years
6. Comparative analysis of specific company to industry

B. Adjustments to financial statements — 5.5%

1. Normalizing
   a) Control vs. non-control
   b) Discretionary
   c) Reasonable compensation analysis
   d) Extraordinary/non-recurring
   e) Industry comparison normalizations
2. Operating vs. non-operating items
3. Off-balance sheet and unrecorded items (contingencies)
4. Product/service data
   a) Cost structure
   b) Marginal analysis
   c) Supply curve

C. Statistical analysis — 3.0%

1. Uses and abuses of statistics in business valuations
2. Measures of central tendency (arithmetic, harmonic, geometric means; median; mode)
3. Measures of dispersion (including variance and standard deviation, skewness, kurtosis)
4. Statistical strengths of numerical relationships (including covariance, correlation, coefficient of determination, and coefficient of variation)
5. Statistical errors
6. Linear regression

D. Types of benefit streams and selection — 3.5%

1. Selection of appropriate time periods (including mid-year convention)
2. Selection of appropriate type of benefit stream
3. Growth assumptions
   a) Trend line projected
   b) Constant
   c) Erratic
   d) Level
   e) Declining growth approaches
4. Historical vs. projection based on considerations
5. Relating effects due to economic/industry events and trends

E. General aspects of Quantitative Analysis not falling in any of the sub-categories above — 0.0%

VI. Valuation Approaches — 26.0%

A. Income approach — 10.5%

1. General theory
2. Defining applicable benefit streams
3. Sources of data
4. Commonly used methods
   a) Capitalization vs. discounting

- b) Capitalized benefit stream method, including Gordon Growth Model (constant growth model)
  - (1) The method is applied using benefit stream available to invested capital (e.g., free cash flow to firm)
  - (2) The method is applied using benefit stream available to equity (e.g., free cash flow to equity)
- c) Discounted benefit stream (e.g., DCF) (multi-stage model)
  - (1) The method is applied using benefit stream available to invested capital (e.g., free cash flow to firm)
  - (2) The method is applied using benefit stream available to equity (e.g., free cash flow to equity)
- d) Excess earnings method
- e) Dividend paying capacity method

B. Market approach — 7.5%

1. General theory
2. Commonly used methods
   - a) Transactions in subject company's stock
   - b) Transactions/sales of companies similar to subject
     - (1) Completed transactions
       - (a) Sources of data/relevant transactional databases
       - (b) Consideration of the selection of data points
     - (2) Guideline public companies
       - (a) Selecting guideline companies
         - i) Sources of data
         - ii) Size adjustments
       - (b) Equity vs. invested capital (including multiples)
       - (c) Selection of appropriate time periods
       - (d) Selection of appropriate multiples
       - (e) Adjusting for growth, size, and company specific risk

C. Asset approach — 4.5%

1. General theory
2. Sources of data
3. Commonly used methods
   - a) Book value
   - b) Net tangible value
   - c) Adjusted net asset method (intangible and tangible assets)
   - d) Excess earnings method
   - e) Liquidation method (forced or orderly)
4. Identifying and valuing intangible assets
   - a) Approaches and methods
   - b) Estimated life
   - c) Impairment
5. Off-balance sheet and unrecorded items (including tax issues)

D. Sanity checks — 1.0%

1. General theory

2. Sources of data
3. Industry formulas (“rules of thumb”)
4. Justification of purchase

E. Reconciliation of indicated values — 2.5%

F. General aspects of Valuation Approaches not falling in any of the sub-categories above — 0.0%

VII. Cost of Capital Concepts and Methodology, and Other Pricing Models — 17.5%

A. Introduction to risk — 4.0%
1. What is risk?
2. Systematic vs. unsystematic

B. Discounting benefit streams to equity (e.g., free cash flows to equity) — 5.5%
1. Capital asset pricing model (CAPM)
    a) Risk free rate
    b) Equity risk premium
    c) Beta (ß)
2. Build-up method and modified CAPM
    a) Risk free rate
    b) Equity risk premium
    c) Beta (ß)
    d) Size risk premium
    e) Industry risk premium
    f) Company specific risk

C. Discounting benefit streams to the firm (e.g., free cash flows to the firm) — 3.5%
1. Weighted average cost of capital
    a) Cost of equity
    b) Cost of debt
    c) Weighting the components of capital
    d) Preferred stock and other sources of capital

D. Developing the capitalization rate — 2.0%

E. Levering and unlevering beta — 1.5%

F. Converting after tax risk rates to pre-tax rates — 1.0%

G. General aspects of Cost of Capital Concepts and Methodology, and Other Pricing Models not falling in any of the sub-categories above — 0.0%

VIII. Discounts, Premiums, and Other Adjustments — 10.0%

A. Levels of value and effect on discounts and premiums — 1.5%
1. Synergistic value
2. Control value
3. Non-controlling, marketable value
4. Non-controlling, non-marketable value

B. Adjustments for control issues — 2.5%
1. General theory
2. Sources of data
3. Ownership characteristics
4. Magnitude
5. Relationship to how benefit stream is defined

C. Adjustments for marketability issues — 3.0%

1. General theory
2. Sources of data
3. Ownership characteristics
4. Restrictions on transferability
5. Magnitude
6. Theoretical models (options models)
7. Key person(s)
    a) Employment agreements
    b) Noncompete agreements
    c) Key-person insurance

D. Potential issues—discounts and premiums 2.5%

1. Regulatory
2. Contingent liabilities
3. Double counting discounts
4. Understanding the empirical studies

E. Subsequent events (representations and warranties) 0.5%

F. General aspects of Discounts, Premiums, and Other Adjustments not falling in any of the sub-categories above 0.0%

IX. Special Purposes and Circumstances **4.5%**

A. Intangible assets
B. Debt securities
C. Convertible securities
D. Preferred stock
E. Stock options
F. Voting vs. non-voting stock
G. Professional vs. practice goodwill
H. Other special purposes (e.g. fair value, mergers and acquisitions, pension benefits, insurance policies)
I. General aspects of Special Purposes and Circumstances not falling in any of the sub-categories above

Total **100%**

Appendices for Valuations in the United States

Appendix I

In the United States, the following bodies issue statements on professional responsibilities, qualifications, and regulations:

A. NACVA—National Association of Certified Valuators and Analysts
B. AICPA—American Institute of Certified Public Accountants
   1. Code of Professional Conduct
   2. Statement on Standards for Consulting Services, No. 1
   3. Statement on Standards for Valuation Services, No. 1
C. ASA—American Society of Appraisers
D. IBA—Institute of Business Appraisers
E. The Appraisal Foundation (USPAP—Uniform Standards of Professional Appraisal Practice)
   1. General and ethical
   2. Standard No. 9
   3. Standard No. 10
F. IRS—Internal Revenue Service
   1. Circular 230
   2. Business Valuation Guidelines
   3. Preparer penalties and disbarment
G. SEC—Securities and Exchange Commission
   1. Sarbanes-Oxley Act of 2002 and related SEC Rules
H. FASB—Financial Accounting Standards Board
I. DOL—Department of Labor
J. Ethical considerations
   1. Advocate vs. expert
   2. Independence
K. Other applicable rules, requirements, and authoritative sources

Appendix II

In the United States, financial statement adjustments include changes to put the statements in compliance with Generally Accepted Accounting Principles (GAAP).

Appendix III

In the United States, use of the excess earnings method should include consideration of the Treasury Method.

Appendix IV

In the United States, examples of transactional databases include:

A. BIZCOMPS®
B. ValueSource Market Comps
C. ValueSource M&A Comps
D. Deal Stats
E. Mergerstat
F. PeerComps
G. Others

Appendix V

In the United States, Morningstar/Ibbotson, Duff & Phelps, and now Kroll Cost of Capital are standard sources of risk rates.

Appendix VI

In the United States, examples of business entities include:

A. S-corporation
B. C-corporation
C. Partnership
D. Limited liability company
E. Proprietorship
F. Pass-through entities—tax effecting of the benefit stream

Special issues for the various forms should be considered.

Appendix VII

In the United States, case law directly related to business valuations is found for:

A. Income taxation
B. Estate and gift taxation
C. Employee stock ownership plans
D. Family law
E. Commercial law
F. Other

Appendix VIII

In the United States, special valuation issues arise when reporting fair value for financial reporting purposes.

Appendix IX

In the United States, the Federal Rules of Civil Procedure (Rule 26) provide judicial guidance.

Appendix X

In the United States, there are several special classes of securities:

A. Preferred stock
B. Convertible instruments
C. Stock options and other derivative instruments

Appendices for Valuations in Germany

Appendix I

Note: Not all standards guidelines and recommendations are available in English. For those which are only available in German, the translations here are not official translations of the respective publishers.

In Germany, the following bodies issue statements on professional responsibilities, qualifications, and regulations:

A. IDW (Institute of Public Auditors in Germany, Incorporated Association)

1. IDW Standards:
   a) IDW S 1: Principles for the performance of business valuations (2008) [Currently under revision; expected release in 2025.]
   b) IDW S 5: Principles for the valuation of intangible assets (2015)
   c) IDW S 8: Principles for the preparation of fairness opinions (2011)
   d) IDW S 10: Principles for the valuation of real estate (2013)
   e) IDW S 13: Special features of business valuations for determining claims in family and inheritance law IDW (2016)
   f) IDW RS HFA 10: IDW Statement on Accounting: Application of the Principles of IDW S 1 in the Valuation of Participations and Other Shares in Companies for the Purposes of Annual Financial Statements under German Commercial Law—local GAAP (2012)
   g) IDW RS HFA 40: IDW Statement on Accounting: Individual Issues on Impairment of Assets under IAS 36 (2016)
   h) IDW RS HFA 47: Individual Issues on the Determination of Fair Value under IFRS 13 (2013)
2. IDW Practical Guidelines:
   a) IDW Practice Guideline 1/2014: Particularities in the determination of an objectified enterprise value for small- and medium-sized enterprises (2014)
   b) IDW Practice Guideline 2/2017: Assessment of a business plan in valuation, restructuring, due diligence, and fairness opinion (2017)
   c) IDW Valuation Guideline 1/2023: Consideration of the gearing ratio in the valuation (2023)

B. DVFA (The Association of Investment Professionals in Germany—DVFA e.V.)

1. Guidelines for the Preparation of Fairness Opinions Version 3.0, short and long version (2023)
2. Guideline Analysts Presentations Version 2.0 (2020)
3. Guide to Company Valuation in Equity Research (2018)
4. Non-GAAP-Earnings Adjustments (2018)
5. Standards for Bond Communication Version 2.1 (2014)
6. Best Practice Recommendations for Company Valuation (2012)
7. DVFA Principles for Effective Financial Communication Version 2.1 (2007)
8. German Principles of Financial Research 2.0 (2006)
9. DVFA-Rating Standards and DVFA-Validation Standards (2006)

C. BDU (Federal Association of German Management Consultancies)

1. Principles of Properly Planning 3.0 (2022)

D. German Federal Chamber of Tax Advisers (BStBK)

1. Information provided by the BStBK on how to determine the value of a tax consultancy firm (2024)

E. German Federal Bar Association (BRAK)

1. On the valuation of law practices (2017), BRAK-Mitteilung 1/2018

F. German Medical Association

1. Guideline for the valuation of medical practices, Deutsches Ärzteblatt, 2008

G. VSA (Association of publicly appointed and sworn experts for the valuation of medical and dental practices e.V.)

1. Modified capitalization of earnings method for the valuation of medical and dental practices: joint statement on valuation-relevant issues (2019)

H. BVS (Federal Association of Publicly Appointed and Sworn and Qualified Experts e.V)

1. Viewpoint: Valuation of small and medium-sized enterprises (2022)

I. Other applicable rules, requirements, and authoritative sources

Appendix II

In Germany, financial statement adjustment includes changes to put the statements in compliance with local Generally Accepted Accounting Principles (local GAAP: HGB) or International Financial Reporting Standards (IFRS).

Appendix III

Not applicable in Germany.

Appendix IV

In Germany, examples of transactional databases include:

A. Mergermarket
B. Capital IQ
C. Orbis M&A
D. Epsilon
E. Others

Appendix V

A. Risk rates are primarily based on the CAPM. The EUR risk-free rate is typically derived from yield curves for German government bonds. For the equity risk premium, analysts usually follow the latest recommended ERP-range from FAUB (the technical committee for business valuations of the Institute of Public Auditors in Germany). Beta is calculated based on various sources and data provided, such as: Bloomberg
B. Capital IQ
C. KPMG Valuation Data Source
D. SmartZebra
E. Onvalue
F. Others

Appendix VI

In Germany, examples of business entities include:

A.	AG:	Stock corporation
B.	GmbH:	Limited liability company
C.	UG:	Limited liability entrepreneurial company
D.	GmbH & Co. KG:	Limited partnership with limited company as general partner
E.	KG:	Limited partnership
F.	OHG:	General partnership

G. GBR: Partnership under civil law
H. StGes: Silent partnership
I. Sole Proprietorship

Special issues for the various forms should be considered.

Appendix VII

The German legal system is predicated on the tradition of civil law, as evidenced by its reliance on written laws as the primary source of binding legal statements. Consequently, court decisions assume a lesser significance in comparison to those observed in common law jurisdictions (e.g., United States or United Kingdom).

Appendix VIII

In Germany, special valuation issues arise when reporting fair value for international financial reporting purposes.

Appendix IX

Not applicable in Germany.

Appendix X

In Germany, there are several special classes of securities:

A. Preferred stock (dividend preference/without voting rights)
B. Convertible instruments
C. Stock options and other derivative instruments
D. Profit participation certificate (without voting rights)

Status on August 31, 2024

Appendices for Valuations in Austria

Appendix I

Note: Not all guidelines and recommendations are available in English. For those which are only available in German, the translations here are not official translations of the respective publishers.

In Austria, the following bodies issue statements on professional responsibilities, qualifications, and regulations:

A. **KSW (Chamber of Chartered Accountants and Tax Consultants)**
   1. KFS/BW 1 (2014): Professional Guidelines for the Valuation of Businesses of the Expert Committee for Business Administration and Organisation of the Chamber of Chartered Accountants and Tax Consultants [Currently under revision; expected release in 2025.]
   2. Recommendations of the Expert Committee:
      i. E1 DLOM (2007)
      ii. E3 Debt-Beta (Update 2021)
      iii. E4 Simplified Planning Phase and Perpetuity Phase (Terminal Value) (2015)
      iv. E5 Simplified Estimates on Value (2017)
      v. E6 Consideration of Insolvency Risks (2017)
      vi. E7 Base Rate and Market Risk Premium (2017)
      vii. E8 Liquidation Value (2019)

B. **AFRAC (Austrian Financial Reporting Advisory Committee)**
   1. No. 24: Valuation and Impairment Testing of Shares in Businesses under UGB—local GAAP (2023)
   2. No. 41: Subsequent Measurement of Derivative Goodwill (UGB—local GAAP) (2024)

C. **Other applicable rules, requirements, and authoritative sources**

Appendix II

In Austria, financial statement adjustment includes changes to put the statements in compliance with local Generally Accepted Accounting Principles (local GAAP: UGB) or International Financial Reporting Standards (IFRS).

Appendix III

Not applicable in Austria.

Appendix IV

In Austria, examples of transactional databases include:

A. Mergermarket
B. Capital IQ
C. Orbis M&A
D. Epsilon
E. Others

Appendix V

Risk rates are primarily based on the CAPM. The EUR risk-free rate is typically derived from German government bonds with a term of 30 years as of the valuation date. For the equity risk premium, analysts usually follow the latest recommended description of procedure from the Expert Committee for Business Administration and Organisation of the Chamber of Chartered Accountants and Tax Consultants. Referring to this recommendation, the analyst should take into account an expected stock market return (implied market return) at the valuation date and calculate an (implied) equity risk premium by deducting the risk-free rate at the valuation date. Publicly available resources for implied market returns as well as risk-free rates are:

A. BDO (Austria)
B. RabelPartner
C. Others

Beta is calculated based on various sources and data provided, such as:

A. Bloomberg
B. Capital IQ
C. SmartZebra
D. Others

Appendix VI

In Austria, examples of business entities include:

A.	AG:	Stock corporation
B.	GmbH:	Limited liability company
C.	FlexCo:	Flexible limited liability company
D.	GmbH & Co. KG:	Limited partnership with limited company as general partner
E.	KG:	Limited partnership
F.	OG:	General partnership
G.	GesbR:	Partnership under civil law
H.	StGes:	Silent partnership
I.	Sole Proprietorship	

Special issues for the various forms should be considered.

Appendix VII

The Austrian legal system is predicated on the tradition of civil law, as evidenced by its reliance on written laws as the primary source of binding legal statements. Consequently, court decisions assume a lesser significance in comparison to those observed in common law jurisdictions (e.g., United States or United Kingdom).

Appendix VIII

In Austria, special valuation issues arise when reporting fair value for international financial reporting purposes.

Appendix IX

Not applicable in Austria.

Appendix X

In Austria, there are several special classes of securities:

A. Preferred stock (dividend preference/voting rights can be ruled out)
B. Convertible instruments
C. Stock options and other derivative instruments
D. Profit participation certificate (without voting rights)
E. Participation rights (without voting rights)

Status on August 31, 2024

Appendices for Valuations in Switzerland

Appendix I

Note: Not all guidelines and recommendations are available in English. For those which are only available in German, the translations here are not official translations of the respective publishers.

In Switzerland, the following bodies issue statements on professional responsibilities, qualifications, and regulations:

A. EXPERTsuisse (Specialist association for auditing, taxes, and fiduciary)

1. Professional Guideline «Business Valuation» (2022)

B. Federal Tax Administration (FTA)

2. TAX: Circular 28 (KS 28) and commentary thereto

C. Other applicable rules, requirements, and authoritative sources

Appendix II

In Switzerland, financial statement adjustment includes changes to put the statements in compliance with local Generally Accepted Accounting Principles (Swiss GAAP FER) or International Financial Reporting Standards (IFRS).

Appendix III

Not applicable in Switzerland.

Appendix IV

In Switzerland, examples of transactional databases include:

A. Mergermarket
B. Capital IQ
C. Orbis M&A
D. Epsilon
E. Others

Appendix V

Risk rates are primarily based on the CAPM with modifications. The CHF risk-free rate is derived from Switzerland government bonds. Based on various sources in Switzerland (e.g., Pictet study or others), the ERP is usually calculated on the basis of historically averaged equity returns. Beta is calculated based on various sources and data provided, such as:

A. Bloomberg
B. Capital IQ
C. Others

Appendix VI

In Switzerland, examples of business entities include:

A. Corporation
B. Limited company
C. Limited partnership
D. Sàrl: limited liability company (a combination of a limited company and a joint partnership)
E. General partnership
F. Sole proprietorship

Special issues for the various forms should be considered.

Appendix VII

The legal system in Switzerland is predicated on the tradition of civil law, as evidenced by its reliance on written laws as the primary source of binding legal statements. Consequently, court decisions assume a lesser significance in comparison to those observed in common law jurisdictions (e.g., United States or United Kingdom).

Appendix VIII

In Switzerland, special valuation issues arise when reporting fair value for international financial reporting purposes.

Appendix IX

Not applicable in Austria.

Appendix X

In Switzerland, there are several special classes of securities:

A. Preferred stock (dividend preference/voting rights)
B. Convertible instruments
C. Stock options and other derivative instruments
D. Profit participation certificate (without voting rights)
E. Participation rights (without voting rights)

Status on August 31, 2024

— Approved by the Valuation Credentialing Board