

# Valuation Principles Examination Content Specification Outline



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## THE VALUATION PRINCIPLES EXAMINATION

The content of the Valuation Principles Examination was developed to test a candidate's understanding of the business valuation body of knowledge generally accepted by the business valuation community. The content of each of the three topical sections is described in outline form and provides an overview of the knowledge and skills tested on the Valuation Principles Examination. The percentage range following each major content area in the outline represents the approximate weighting for that content area. The examination questions are intended to test each content area and its logical extensions.

The examination consists of: (1) multiple-choice questions intended to test technical knowledge concerning business valuation and (2) case studies with multiple-choice questions focusing on the practical application of business valuation knowledge. The exam is fully computerized and split into two test modules. Module 1, "Approaches," covers Section II and module 2, "Analysis & Related," covers Sections I and III. Exam modules may be taken in any order.

### High-Level Content Specification Outline

- I. Qualitative and Quantitative Analyses (25–30%) — Exam module 2 "Analysis & Related"
  - A. Sources of Economic and Industry Data
  - B. Macro-Economic and Environmental Analysis
  - C. Industry Analysis
  - D. Subject Entity Analysis
- II. Valuation Analysis (50–60%) — Exam module 1 "Approaches"
  - A. Levels of Value Appropriate to the Engagement
  - B. Valuation Approaches
  - C. Discounts, Premiums and other Adjustments
  - D. Reconciliation of Indicated Values
- III. Related Topics (15–20%) — Exam module 2 "Analysis & Related"
  - A. Defining the Engagement
  - B. Professional Standards
  - C. Financial Reporting
  - D. Litigation Services
  - E. Case Law Directly Related to Business Valuation
  - F. Case Law Relating to Admissibility of Expert
  - G. Intellectual Property and Other Intangible Assets
  - H. Family Limited Partnerships and Limited Liability Companies (FLPs and LLCs)
  - I. ESOPs
  - J. Special Classes of Stock
  - K. Record Keeping and Reporting

## DETAILED CONTENT SPECIFICATION OUTLINE

### Section I. Qualitative and Quantitative Analyses 25–30% — Exam module 2 “Analysis & Related”

This section covers knowledge of sources of data, techniques and methods used to analyze business interest, value drivers and risk assessments.

Topic/Content	Referenced Readings
<ul style="list-style-type: none"> <li>A. Sources of Economic and Industry Data</li> <li>B. Macro-Economic and Environmental Analysis</li> <li>C. Industry Analysis               <ul style="list-style-type: none"> <li>1. Industry Structure &amp; Life-Cycle Analysis</li> <li>2. Competitive Strategies and Analysis</li> </ul> </li> <li>D. Subject Entity Analysis               <ul style="list-style-type: none"> <li>1. SWOT (strengths, weaknesses, opportunities and threats) analysis</li> <li>2. Firm Economics (cost structure, pricing power marginal analysis)</li> <li>3. Financial Statements                   <ul style="list-style-type: none"> <li>a. Common Size</li> <li>b. Trend Analysis</li> <li>c. Financial Ratios</li> <li>d. DuPont Analysis; Return on Equity and Return on Assets</li> </ul> </li> </ul> </li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 5 and 6.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 6 and 8.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 3 and 4</p>
<ul style="list-style-type: none"> <li>4. Adjustments to Financial Statements               <ul style="list-style-type: none"> <li>a. Normalizing</li> <li>b. Control vs. Non-control</li> <li>c. Separation of Operating and Non-operating items</li> <li>d. Off-balance Sheet Items                   <ul style="list-style-type: none"> <li>1) Other adjustments</li> <li>2) Implied tax adjustments</li> <li>3) Unusual and/or non-recurring items</li> <li>4) GAAP based adjustments</li> </ul> </li> </ul> </li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 6.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 3, 5, 7, and 9–16.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 4 and 5.</p>
<ul style="list-style-type: none"> <li>5. Statistics Related to Valuation Analysis               <ul style="list-style-type: none"> <li>a. Understanding Measures of Central Tendency (e.g., arithmetic, harmonic and geometric means and median)</li> <li>b. Understanding Measures of Dispersion (e.g., variance and standard deviation)</li> <li>c. Understanding Statistical Strengths of Numerical Relationships (including covariance, correlation, coefficient of determination and coefficient of variation)</li> <li>d. Understanding Linear Regression</li> </ul> </li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 7.</p>

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## Section II. Valuation Analysis 50–60% — Exam module 1 “Approaches”

This section covers knowledge of the three primary

approaches to value and related hybrid methods. It also covers levels of value, discounts, premiums and the reconciliation of indicated values.

Topic/Content	Referenced Readings
A. Levels of Value Appropriate to the Engagement <ol style="list-style-type: none"><li>1. Control Strategic (public or private company)</li><li>2. Minority/Control Standalone Liquid (public company)</li><li>3. Control Liquid (private company)</li><li>4. Control Standalone (private company)</li><li>5. Minority Non-marketable (private company)</li></ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 4.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 15.</p>
B. Valuation Approaches <ol style="list-style-type: none"><li>1. Income Approach<ol style="list-style-type: none"><li>a. General Theory</li><li>b. Sources of Data</li><li>c. Commonly Used Methods<ol style="list-style-type: none"><li>1) Capitalized Economic Income/Cash Flow Method (CCF), Including Gordon Growth Model (consistent growth model)</li><li>2) Discounted Economic Income/Cash Flow Method (DCF), including Gordon Growth Model (two-stage model)</li></ol></li><li>d. Commonly Used Models — Direct Equity Model Versus Invested Capital Model</li><li>e. Types of Benefit Streams and Selection</li><li>f. Cost of Capital Concepts and Methodology and Other Models<ol style="list-style-type: none"><li>1) Capital Asset Pricing Model (CAPM) and Beta (B) including Unlevering and Relevering Betas</li><li>2) Build-up Method</li><li>3) Duff and Phelps Risk Premiums</li><li>4) Weighted Average Cost of Capital</li><li>5) Understanding the Security Market</li><li>6) Understanding Option Pricing Theory</li></ol></li><li>g. Selection of Appropriate Time (including mid-year convention)</li></ol></li></ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 5, 12 and 13.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 9 and 10.</p> <p>Pratt, Shannon P. and Gabrowski, Roger J. 2014. <i>Cost of Capital: Applications and Examples</i>, 5th ed. New Jersey: John Wiley &amp; Sons.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 5 and 6.</p>

Topic/Content	Referenced Readings
<p>2. Market Approach</p> <ul style="list-style-type: none"> <li>a. General Theory</li> <li>b. Sources of Data</li> <li>c. Commonly Used Methods <ul style="list-style-type: none"> <li>1) Transactions in Subject Company's Stock</li> <li>2) Guideline Publicly Traded Company Method</li> <li>3) Guideline Merged and Acquired Company (transaction) Method</li> </ul> </li> <li>d. Selecting Guideline Companies</li> <li>e. Equity Versus Invested Capital (including price multiples)</li> <li>f. Selection of Appropriate Time Periods</li> <li>g. Selection and Adjustment of Appropriate Multiples</li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 5, 9 and 10.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 11 and 12.</p> <p>Pratt, Shannon P. 2005. <i>The Market Approach to Valuing Businesses</i>, 2nd ed. New Jersey: John Wiley &amp; Sons.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 7.</p>
<p>3. Asset Approach</p> <ul style="list-style-type: none"> <li>a. General Theory</li> <li>b. Sources of Data</li> <li>c. Commonly Used Methods <ul style="list-style-type: none"> <li>1) Adjusted (net) Asset Method</li> <li>2) Excess Earnings (cash flow) Method</li> </ul> </li> <li>d. Considerations in Liquidation</li> <li>e. Issues in Valuing Intangible Assets: Approaches and Methods</li> <li>f. Tax Affecting the Balance Sheet</li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 11.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 13 and 14.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 8 and 21.</p> <p>Reilly, Robert F. and Robert P. Schweihs. 2013. <i>Guide to Intangible Asset Valuation</i>. New York: AICPA, chap. 1, 11, 14–19.</p>
<p>4. Hybrid/Other Models</p> <ul style="list-style-type: none"> <li>a. General Theory</li> <li>b. Sources of Data</li> <li>c. Commonly Used Methods — Excess Earnings Method</li> </ul>	<p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 13.</p>

Topic/Content	Referenced Readings
<p>C. Discounts, Premiums and Other Adjustments</p> <ol style="list-style-type: none"> <li>1. Levels of Value and Effect on Discounts and Premiums</li> <li>2. Discount for Lack of Control (DLOC) and Control Premium               <ol style="list-style-type: none"> <li>a. Sources of Data</li> <li>b. Ownership Characteristics</li> <li>c. Magnitude</li> </ol> </li> <li>3. Discount for Lack of Marketability (DLOM)               <ol style="list-style-type: none"> <li>a. Sources of Data</li> <li>b. Ownership Characteristics</li> <li>c. Restrictions and Transferability</li> <li>d. Magnitude</li> </ol> </li> <li>4. Discount and Premiums — Understanding the Empirical Studies</li> <li>5. Allocation Between Voting and Non-voting Stock</li> <li>6. Other Valuation Discounts and Adjustments</li> </ol> <p>D. Reconciliation of Indicated Values</p>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 14, 15 and 17.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 15–19.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 9.</p> <p>AICPA Statement on Standards for Valuation Services No. 1</p>



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### Section III. Related topics 15–20% — Exam module 2 “Analysis & Related”

This section covers knowledge of other important topics pertaining to business valuation. These include defining the engagement professional and regulatory standards

and guidelines, financial reporting, litigation and dispute resolution services, case law, intellectual property and other intangible assets, family limited partnerships (FLPs) limited liability companies (LLCs), employee stock ownership plans (ESOPs), special types of securities and reporting.

Topic/Content	Referenced Readings
<p>A. Defining the Engagement</p> <ol style="list-style-type: none"><li>Standards of Value (e.g., Fair Market Value, Fair Value — Financial Reporting, Investment Value, Intrinsic (Fundamental) Value)</li><li>Relationship between purpose of the valuation and the standard of value</li><li>Understanding the ownership characteristics of the interest being valued</li><li>Premise of Value for Business Interests (i.e., Going Concern &amp; Liquidation)</li><li>Engagement Letters (e.g., Purpose &amp; Content)</li></ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 3, 4, 20, 22 and 24.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 2, 10 and 11.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 2, 3, 10–11, 15–17 and 37.</p> <p>AICPA Statement on Standards for Valuation Services No. 1</p>
<p>B. Professional Standards</p> <ol style="list-style-type: none"><li>AICPA’s Statement on Standards for Valuation Services No. 1, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset (SSVS No. 1)</li><li>AICPA’s Statement on Standards for Consulting Services No. 1 (SSCS No. 1)</li><li>AICPA Code of Professional Conduct ET 1.200.001 “Independence Rule” and interpretations of the “Nonattest Services” subtopic [1.295] (Pronouncements and Regulations related to Independence Requirements when Providing Business Valuation Services to Attest Clients)</li><li>AICPA Statement on Auditing Standards AU Sec. 336 (Using the Work of a Specialist) and AU Sec. 328 (Auditing Fair Value Measurements and Disclosures)</li></ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 2 and app. 1, 4 and 5.</p>

Topic/Content	Referenced Readings
<ul style="list-style-type: none"> <li>5. Internal Revenue Service (IRS) Authority (Related to Valuation) <ul style="list-style-type: none"> <li>a. Revenue Rulings</li> <li>b. Revenue Procedures</li> <li>c. Other IRS pronouncements — Technical Advice Memorandums, Private Letter Rulings, Chapter 14 Special Valuation Guidelines, and specific code sections of the Internal Revenue Code</li> <li>d. Other IRS Pronouncements — Deferred Compensation and Stock Options</li> <li>e. Definition of a Qualified Appraiser and Appraisal</li> </ul> </li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 4, 16 and 21, app. 6–10, 12–17.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 13 and 26.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 1, 11, 13, 17–19, 24, 27, 28, 30 and 32.</p> <p>IRC Section 409A; IRS Notice 2007–78 Notice 2006–96; 2006–46 IRB 1 Proposed Reg. 1.170A–17(b)</p>
<ul style="list-style-type: none"> <li>C. Financial Reporting <ul style="list-style-type: none"> <li>1. Fair Value Measurements</li> <li>2. Business Combinations</li> <li>3. Goodwill and Other Intangibles and Measuring Impairment</li> <li>4. Accounting for the Impairment of Long-lived Assets</li> <li>5. Fair Value Measurements</li> <li>6. The Fair Value Option</li> <li>7. Compensation — Stock Compensation</li> <li>8. Contingent Considerations</li> </ul> </li> </ul>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 1, 4 and 20.</p> <p>Zyla, Mark L. 2013. <i>Fair Value Measurements: Practical Guidance and Implementation</i>, 2nd ed. New Jersey: John Wiley &amp; Sons, chap. 1, 2, 3 and 14.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 39.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 21.</p> <p>Financial Accounting Standards Board (FASB) <i>Accounting Standards Codification (ASC) 805</i>; FASB ASC 350 FASB ASC 205–20 and 360–10 FASB ASC 820–10 FASB ASC 825–10 FASB ASC 505 and 718</p>

Topic/Content	Referenced Readings
<p>D. Litigation Services</p> <ol style="list-style-type: none"> <li>1. Shareholder Disputes</li> <li>2. Marital Dissolutions</li> <li>3. Commercial Damages: Lost Profits vs. Loss of Value</li> <li>4. Federal Rules of Civil Procedure (Rule 26 General Provisions Governing Discovery; Duty of Disclosure)</li> <li>5. Federal Rules of Evidence (Rule 703 — Basis of Opinion Testimony by Experts)</li> <li>6. Roles of the Valuation Analyst in Litigation Services (i.e., Expert Witness and/or Consultant)</li> <li>7. Scope of Services               <ol style="list-style-type: none"> <li>a. Fact Finding (including discovery and analysis of data)</li> <li>b. Document Management</li> <li>c. Expert Witness Testimony</li> </ol> </li> </ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 2, 3, 6, 17, 21–22, 24–25.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 16 and 23.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 37–38, 40–42.</p> <p>AICPA Consulting Services Special Report 03–1 — Litigation Services and Applicable Professional Standards</p> <p>AICPA Consulting Services Practice Aid 96–3 — Communicating in Litigation Services: Reports</p>
<p>E. Case Law Directly Related to Business Valuation (including, but not limited to, income taxation, estate and gift taxation and ESOPs)</p>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 21, 22, 24, 25, app. 18.</p> <p>Pratt, Shannon P. 2005. <i>The Market Approach to Valuing Businesses</i>, 2nd ed. New Jersey: John Wiley &amp; Sons, chap. 19.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 17, 26, 28, 31, 33, 36, 38 and 41.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap.13.</p>
<p>F. Case Law Relating to Admissibility of Expert Opinions (e.g., Daubert v. Merrill Dow Pharmaceuticals; Kuhmo Tire Co. v. Carmichael)</p>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 1.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 41.</p>

Topic/Content	Referenced Readings
<p>G. Intellectual Property and Other Intangible Assets</p> <ol style="list-style-type: none"> <li>1. Valuation Approaches and Methods</li> <li>2. Valuing Specific Intangible Assets</li> </ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 20.</p> <p>Zyla, Mark L. 2013. <i>Fair Value Measurements: Practical Guidance and Implementation</i>, 2nd Ed. New Jersey: John Wiley &amp; Sons, chap. 4–10 and 14.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 21.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 14 and 30.</p>
<p>H. Family Limited Partnerships and Limited Liability Companies (FLPs and LLCs)</p> <ol style="list-style-type: none"> <li>1. Unique FLP/LLC issues</li> <li>2. Data and Sources for Discounts</li> <li>3. Application of Internal Revenue Code Sections 2036, 2038 and 2701–2704</li> </ol>	<p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 1, 14, 15 and 21.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 14 and 19.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 15, 16, 27 and 28.</p>
<p>I. ESOPs</p> <ol style="list-style-type: none"> <li>1. Appropriate Methods</li> <li>2. U.S. Department of Labor Adequate Consideration Regulations</li> <li>3. Discount for Lack of Marketability</li> </ol>	<p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 17.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 32 and 33.</p> <p>Pratt, Shannon P. 2005. <i>The Market Approach to Valuing Businesses</i>, 2nd ed. New Jersey: John Wiley &amp; Sons, chap. 12.</p>

Topic/Content	Referenced Readings
<p>J. Special Classes of Securities</p> <ol style="list-style-type: none"> <li>1. Valuing Preferred Stock</li> <li>2. Valuing Convertible Instruments</li> <li>3. Valuing Stock Options and Other Derivative Instruments</li> <li>4. Valuing Debt</li> </ol>	<p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap. 24.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 23–25.</p>
<p>K. Record Keeping and Reporting</p> <ol style="list-style-type: none"> <li>1. Jurisdictional Exceptions</li> </ol>	<p>AICPA's Statement on Standards for Valuations Services No.1 paragraphs 47–78 and Appendix A</p> <p>Trugman, Gary R. 2012. <i>Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses</i>, 4th ed. New York: AICPA, chap. 2 and 17.</p> <p>Hitchner, James R. 2011. <i>Financial Valuation: Application and Models</i>, 3rd ed. New Jersey: John Wiley &amp; Sons, chap.10.</p> <p>Pratt, Shannon P., Niculita, Alina V. 2008. <i>Valuing a Business: The Analysis and Appraisal of Closely Held Companies</i>, 5th ed. New York: McGraw-Hill, chap. 20.</p>

## Resource Index

### BV Reference Books

- *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium Sized Businesses* by G. Trugman; 4th ed.; 2012; New York: AICPA.
- *Financial Valuation: Application and Models* edited by J. Hitchner; 3rd ed.; 2011; New Jersey: John Wiley & Sons.
- *Valuing a Business: The Analysis and Appraisal of Closely Held Companies* by S. Pratt & A. Niculita; 5th ed.; 2008; New York: McGraw Hill.
- *Cost of Capital: Applications and Examples* by S. Pratt & R. Grabowski; 5th ed.; 2014; New Jersey: John Wiley & Sons
- *The Market Approach to Valuing Businesses* by S. Pratt; 2nd ed.; 2005; New Jersey: John Wiley & Sons.
- *Guide to Intangible Asset Valuation* by R. Reilly & R. Schweihs, 2013, New York: AICPA.
- *Fair Value Measurements: Practical Guidance and Implementation* by Mark L. Zyla, 2nd ed., 2013, New Jersey: John Wiley & Sons.

### AICPA Publications and Pronouncements Related to Business Valuation

- *AICPA Statement on Standards for Valuation Services No. 1*
- *AICPA Statement on Standards for Consulting Services No. 1*
- *AICPA Code of Professional Conduct*
- *AICPA Statement on Auditing Standards AU Section 336 (Using the Work of a Specialist) and AU Section 328 (Auditing Fair Value Measurements and Disclosures)*
- *AICPA Interpretations of the “Nonattest Services” subtopic [1.295] under the “Independence Rule” [ET 1.200.001]*
- Consulting Services Division. *AICPA Consulting Services Special Report 03-1 — Litigation Services and Applicable Professional Standards*. 2003. New York: AICPA. Product No. 055297
- Consulting Services Division. *AICPA Consulting Services Practice Aid 96-3 — Communicating in Litigation Services: Reports*. 1996. New York: AICPA. Product No. 055000.

### Other Publications and Pronouncements Related to Business Valuation

- *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, Fair Value Measurements and Disclosures*
- *FASB ASC 505, Equity, and 718, Compensation — Stock Compensation*
- *FASB ASC 805, Business Combinations*
- *FASB ASC 350, Intangibles — Goodwill and Other*
- *FASB ASC 205-20, Presentation of Financial Statements, and 360-10, Property, Plant, and Equipment*
- *FASB ASC 825-10, Financial Instruments*
- *Internal Revenue Code Section 409A*
- *Internal Revenue Service Notice 2007-78*
- *Internal Revenue Service Notice 2006-96*
- *Internal Revenue Service Notice 2006-46*
- *Internal Revenue Bulletin No. 1*



