



ABV credential handbook

A guide to the AICPA
Accredited in Business Valuation credential

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Contents

2 Introduction

3 Objectives of the program

3 How the ABV credential will enhance your career

4 Benefits of the ABV credential

4 Benefits of the FVS Section membership

5 ABV credential requirements

8 Exam reciprocity for ASA, AM, CFA, or CBV credential holders

9 ABV credential application audit

10 Receiving the ABV credential

10 ABV credential recertification requirements

10 Additional Information



Introduction

The American Institute of CPAs established the Accredited in Business Valuation (ABV[®]) credential program in 1998 for members who specialize in valuation. The ABV credential is granted exclusively by the AICPA to CPAs and qualified finance professionals who demonstrate considerable expertise in business valuation through their knowledge, skill, experience and adherence to professional standards.

This handbook provides information on how to obtain the ABV credential.

Objectives of the program

The objectives of the ABV credential program are to:

- Enhance the quality of valuation services ABV credential holders provide
- Increase practice development and career opportunities for ABV credential holders
- Promote members' services through the Forensic and Valuation Services (FVS) section website
- Achieve public recognition of the ABV credential holders as the preferred valuation professional

How the ABV credential will enhance your career

CPAs and qualified finance professionals who provide valuation services obtain the ABV credential because it:

- Positions the credential holder as a premier valuation services provider
- Enhances the practitioner's image as a competent, trustworthy valuation expert
- Promotes a greater level of confidence for current and potential clients
- Demonstrates commitment to continuously improving valuation skills and expertise, resulting in increased professional competency
- Offers greater revenue opportunities – valuation consistently has been in the top growing service areas in the *Accounting Today* profile of Top 100 Firms
- Expands opportunities for referrals from other practitioners, strategic partners, attorneys and clients
- Includes you in a community of valuation professionals with similar interests and practices
- Distinguishes your practice with the powerful combination of the AICPA brand and the ABV credential

Benefits of FVS Section membership

- Practice aids and other non-authoritative guidance – Guidance on forensic- and valuation-related technical issues, such as valuations for estate and gift tax, intellectual property, mergers and acquisitions disputes, economic damages and litigation support services
- Webcasts – Topics include forensic- and valuation-related technical issues, as well as hot topics that affect niche practices.
- *FVS Consulting Digest* – Quarterly newsletter with articles on forensic and valuation technical issues as well as applicable practice management issues
- Conference discounts – Discounted rates at the AICPA FVS educational conferences, such as the Annual AICPA Forensic and Valuation Services Conference, the AICPA Business Valuation School, the AICPA Fair Value Measurements Workshop and the AICPA Expert Witness Skills Workshop
- Exclusive FVS website content – Access to articles, case studies, checklists, worksheets and tools
- Professional resource discounts – FVS members benefit from vendor discounts and special offers on selected products and publications
- Regulatory insight – Timely information on this field's complex laws and regulations
- Networking opportunities – Invaluable opportunities to collaborate and share best practices through participation in the Conference Town Hall Sessions, ABV and CFF® Champion Programs, AICPA FVS Section Member LinkedIn Subgroup and more

Benefits of the ABV credential

- Advocacy – Support regarding federal and international regulatory issues that impact professionals who specialize in forensic and valuation services
- Marketing assistance – Creative ideas for marketing and managing an FVS practice
- ABV Marketing Toolkit – Designed to help ABV credential holders market their skills and build their valuation practices
- Public Awareness Program – The AICPA's ongoing media relations campaign heightens the awareness of the ABV credential among clients, the business and legal communities and various media outlets
- Recognition at the AICPA National FVS Conference – Networking opportunities with other ABV credential holders
- Find an ABV – An online directory of all ABV credential holders, which is also available to the public
- Professional discounts – ABV credential holders also benefit from vendor discounts and special offers on selected products and publications used in their valuation practices
- AICPA offers ABV credential holders automatic FVS Section membership

ABV credential requirements

For CPAs

1. Maintain Regular AICPA Membership in good standing.
2. Hold a valid and unrevoked CPA license or certificate issued by a legally constituted state authority.
3. Pass the ABV Examination (requirement waived for AM and ASA credential holders of the American Society of Appraisers, CFA credential holders of the CFA Institute and CBV credential holders of the Canadian Institute of Chartered Business Valuators).
4. Upon successfully passing the ABV Exam, complete the ABV Credential Application online. Applicants must attest to meeting the minimum Business Experience and Education requirements and pay the appropriate credential fee.
5. Business Experience: CPA candidates must have obtained a minimum of 150 hours of BV experience within the 5-year period preceding the date of the credential application. See below for examples of business experience.
6. Education Requirement: All candidates must complete 75 hours of valuation-related continuing professional development (CPD) within the 5-year period preceding the date of the credential application. See below for further details.
7. Sign a Declaration of Intent to comply with the requirements of ABV Recertification.

The examination requirement

There are two ways to satisfy the examination requirement:

1. Pass the two-part, six-hour ABV Examination
2. Hold the ASA or AM credential awarded by the American Society of Appraisers, the CFA credential awarded by the CFA Institute, or the CBV credential awarded by the Canadian Institute of Chartered Business Valuators.

For more information about the AICPA's ABV Examination, including exam fees, the registration and scheduling process, the Content Specification Outline (CSO), exam preparation and receiving exam results, please visit aicpa.org/ABVexam.

The business experience requirement

CPA candidates will successfully complete the experience requirement by obtaining at least 150 hours of business valuation experience. Finance professional candidates will successfully complete the experience requirement by obtaining at least 1,500 hours of business valuation experience. All candidates must demonstrate competence to assess appropriateness regarding the choices of approaches and methods, inputs to models, and the conclusion of the valuation of a business entity or intangible asset while using professional judgment. This experience must have been obtained within the five-year period preceding the date of the credential application.

Additionally, while gaining experience to meet the ABV credential requirements, all candidates must exhibit professional competence as noted in Paragraph 11 of VS Section 100, Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset. This paragraph reads as follows:

The "General Standards Rule" of the code (ET sec. 1.300.001 and 2.300.001) states that a member shall "undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence." Performing a valuation engagement with professional competence involves special knowledge and skill. A valuation analyst should possess a level of knowledge of valuation principles and theory and a level of skill in the application of such principles that will enable him or her to identify, gather, and analyze data, consider and apply appropriate valuation approaches and methods, and use professional judgment in developing the estimate of value (whether a single amount or a range). An in-depth discussion of valuation theory and principles, and how and when to apply them, is not within the scope of this statement.

Examples of this type of experience include, but are not limited to:

- Employees in or proprietors of a public accounting firm
- Employees of a consulting firm that is not a public accounting firm

ABV credential requirements (continued)

- Auditors for fair value for financial reporting: Auditors completing reviews of fair value for purposes of financial reporting whereby the auditor performs tasks consisting of recalculation of the discount rates, capitalization rates, and verifying models on calculations of value using professional judgment
- Employees working in a private equity group, investment bank or venture capital firm
- Employees working in a company's corporate development (i.e., mergers and acquisitions) department
- Employees performing analytical work in any merger, acquisition or deal-making setting
- Employees working for a research or publishing entity performing merger, acquisition or similar work

The business experience requirement for academia

CPA candidates may also successfully complete the experience requirement by demonstrating competence to serve as an instructor who has taught at least four accredited college courses covering at least 50% of the material included in the ABV Exam Content Specification Outline. This experience must have been obtained within the five-year period preceding the date of the credential application.

The education requirement

Additional business valuation related experience and education topics

Experience gained for the purposes of meeting the ABV credential requirements can be obtained through a variety of engagements or work responsibilities. They include, but are not limited to:

- Mergers and acquisitions, spin-offs and liquidations
- Reorganizations and bankruptcies
- Initial public offerings (IPOs)
- Damages litigation and ownership disputes
- Fairness opinions
- Estate, gift and income tax
- Ad valorem taxes
- Insurance claims
- Marital dissolution
- Dissenter's rights
- Eminent domain actions
- Shareholder oppression cases
- Employee Stock Ownership Plans (ESOPs)
- Financial reporting
- Charitable contributions
- Allocation of purchase price
- Goodwill impairment
- Buy/sell agreements
- Family limited partnerships
- Recapitalizations
- Financing
- Business planning
- Stock option plans
- Compensation¹

¹ List of valuation areas obtained from *Understanding Business Valuation*, Gary Trugman, 5th edition, 2017 pg. 3 and *Financial Valuation: Applications and Models*, James Hitchner, 4rd edition, 2017, pg. 2.

Examples of methods used on such engagements include, but are not limited to:

- Cash flow valuation – Analyze the historical performance of the business; estimate the cost of capital; calculate the value of the cash flow stream; and interpret the results
- Specialized valuation skills and training – Security market options; research techniques and research tools; company, industry and economic data analysis; valuation calculations and conclusions; engagement reporting; and Code of Professional Conduct and Professional Standards
- Analysis of financial information – Linkage between purpose for the valuation, standard of value and ownership; and sources and uses of industry financial and operating data
- Financial forecasting – Statistical techniques: simple and multiple regressions; time series analysis; AICPA Prospective Financial Reporting Guidelines; determining and documenting significant forecast assumptions; company and industry data; and sources and uses of economic data
- Estimating cost of capital (discount and capitalization rates) – Understanding the sources and limitations of data; security market line; market efficiency, theoretical underpinning of discount and capitalization rates – capital asset pricing model, multi-factor models, difference and similarities of CAPM and the build-up method; sources of small-firm risk premiums, firm-specific risk premium and other adjustments to cost of capital (when and how); Beta – understanding the sources and calculations, R-squared and other potential limitations; estimating Beta for privately owned companies, including guideline companies' levered Beta (bL) and Guideline Companies' Proxy unlevered Beta (bu)
- Selecting and evaluating guideline company data – Screening and selection process; goodness of fit issues; guideline companies; data to use and the proper use of the data; linkages between the Standard of Value, purpose for the valuation, selection of guideline companies and specific data; court cases involving acceptance and rejection of guideline company data
- Determining the proper valuation discounts or premiums – Reasons for discounts and premiums such as marketability and control issues; Standard of Value, purpose for the valuation, ownership issues and the proper usage of discounts; sources for estimating discounts such as identifying and understanding the empirical research of liquidity and control issues; and methods used to select and apply proper discounts and premiums
- Linkages between approaches, standards of value – Purpose of Valuation and Discounts Income methods; market methods; asset-based methods; liquidity and marketability issues; control and minority ownership positions; fair market value, investment value and fair value
- Entity and specialized industry issues – ESOP plans; Family Limited Partnerships; medical practices; professional service business, other service businesses; start-up, research and development, or technology-based businesses; initial public offering (IPO) candidates; merger and acquisition valuation engagements; real estate or other holding companies; and specialized industries (construction, retail, restaurants, etc.)
- Report preparation and engagement administration – Awareness of appropriate VS Section 100 reporting standards; proper documentation of research; presentation of and support for the valuation conclusion; sufficient and competent evidential matter; guidelines for work paper and supporting documentation; and engagement letters and letters of representation
- Litigation dispute resolution services – Rules of evidence; qualifications of experts; roles of the consulting expert and the testifying expert; and depositions and court testimony

An ABV candidate must have a minimum of 75 hours of valuation-related continuing professional development (CPD). All hours must have been obtained within the five-year period preceding the date of the credential application.

The education requirement is designed to maintain your competency by requiring timely updates of existing business valuation knowledge and skills, and to provide a mechanism for monitoring your competency-maintenance efforts.

CPAs are responsible for complying with all applicable CPE requirements, rules and regulations of state boards of accountancy, as well as those of membership associations and other professional organizations. Visit aicpa.org/CPE to become familiar with the CPE Standards issued by AICPA and NASBA, learn the CPE continuing professional development requirements for AICPA members, and find out the specific CPE requirements for each state board and society. The following categories of education are eligible:

- **CPE** will be given for formal educational programs of learning in self-study or group-study format on topics relevant to the ABV body of knowledge
- **Approved courses at an accredited university or college** – For university or college courses taken in topics relevant to the ABV body of knowledge
- **Presenting continuing education courses** – Instructors receive credit for the preparation and presentation of CPE courses and technical papers on topics relevant to the ABV body of knowledge
- **Authoring** – Articles and publications in topics related to the ABV body of knowledge
- **Unstructured learning** – May include activities such as coaching, mentoring, peer-to-peer learning, and on-the-job training; these expanded opportunities allow you to develop professional competencies necessary to support continued success in your area of specialization

For a listing of the applicable BV knowledge and skills used to meet the educational requirements, see the examples of methods used in BV engagements listed below or the ABV Exam Content Specification Outline.

Exam reciprocity for ASA, AM, CFA, or CBV credential holders

The ABV Exam requirement is waived for Accredited Senior Appraiser (ASA) or Accredited Member (AM) credential holders of the American Society of Appraisers, Chartered Financial Analyst (CFA) credential holders of the CFA Institute, and Chartered Business Valuator (CBV) credential holders of the Canadian Institute of Chartered Business Valuators. All other requirements must be met before applying online.

Additional requirements for qualified finance professionals

Qualified finance professionals must hold a bachelor's degree or equivalent from an accredited college or university and complete the AICPA Professional Conduct and Standards Education for Finance Professionals course. The AICPA Professional Conduct and Standards Education for Finance Professionals is available on the AICPA Store as a stand-alone product or as part of the Certified in Entity and Intangibles (CEIV) credential education bundle. Candidates who hold the CEIV credential or plan to obtain the CEIV credential may not want to purchase this course in addition to the CEIV credential education bundle.

ABV credential application audit

A sample of accepted applications are selected for a random audit. Any misrepresentations or incorrect information provided to the AICPA can result in disciplinary action, including suspension or revocation of eligibility and/or credential. In the event of an audit, documentation of third-party credentials, business experience and education will be required as follows:

Third-party credentials

If the ABV Exam was waived because you hold the ASA, AM, CFA, or CBV credential, you must provide your membership number for the third-party institution or a document on official letterhead verifying your membership.

Business experience

- Name of employer, dates of employment and a representation from employer/firm/supervisor stating you have sufficiently completed the experience requirements for the ABV credential or a listing of applicable engagements on employer/firm letterhead or billing statement including:
 - Dates of engagement
 - Role in the engagement
 - Type of industry
 - Type of entity

Education

- For CPE, approved courses at a university, other continuing professional development and trade association conferences
 - Title of course/session
 - Related body of knowledge subject matter
 - Sponsor of course
 - Name of college/university
 - Format of course
 - Date(s)
 - Number of CPE credits, hours attended, semester credits, etc.

• For authoring

- Title of work
- Related body of knowledge subject matter
- Name of publisher
- Type of publication
- Date published
- Number of hours to prepare

• For unstructured learning

- Date(s) of activities
- Format and length of activity
- How the activity supports your continued development

Receiving the ABV credential

After receiving notification of successfully passing the exam and meeting all other requirements, apply for the ABV credential using the online application at aicpa.org/ABV. Once documentation and payment has been submitted and approved by the AICPA, the candidate will be notified. At that time, the candidate will be eligible to use the ABV credential in compliance with the rules of the state board(s) of accountancy for the state(s) in which he or she practices if applicable.

The candidate is not authorized to use the credential until he or she receives this notice. An ABV credential certificate will be sent to the successful candidate under separate cover.

ABV credential recertification requirements

To maintain the credential, ABV credential holders must continue to pay the appropriate annual credential fee and meet the following recertification requirements **annually**:

1. Maintain AICPA membership in good standing.
2. Complete 20 hours of continuing professional development within the credential body of knowledge annually:
 - Continuing professional development may include structured learning activities approved by NASBA, a legally constituted state authority, professional bodies or unstructured learning activities.
 - Unstructured learning activities may constitute up to 50% (10 hours annually) of a credential holder's CPD to meet credential renewal requirements
3. Submit electronic intent to continue to comply with all recertification requirements.
4. If selected for audit, you will be notified in writing and recertification-related learning activities must be recorded in the "[My Learning](#)" section of the AICPA |CIMA Competency and Learning website. You are encouraged to record your annual CPE / CPD in this website regularly.

Additional information — Credential holders will be notified in writing when selected for audit and instructed to report their recertification requirements online at the appropriate time. For more information about the ABV credential program, contact the AICPA or access the ABV credential frequently asked questions online at aicpa.org/ABV.

Call: ABV Member Service at 888.777.7077
(M–F 9am–6pm ET)

Write: AICPA ABV credential
American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707
ATTN: Member Service

Email: ABV@aicpa.org Visit: aicpa.org/ABV

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