



# NACVA

January 1, 2008

## — SUMMARY OF CHANGES TO NACVA'S STANDARDS —

To All NACVA Members,

NACVA's new Professional Standards reflect the first significant revision to NACVA's Standards since 2002. Changes were made to address conflicts between the AICPA's Statement on Standards for Valuation Services No. 1 (SSVS), and NACVA's previous Standards, and intend to eliminate such conflicts and draw parity between the two.

The significant changes are:

1. Terminology

Opinion of Value and Estimate of Value **were consolidated** into a Conclusion of Value.

Calculation of Value **was replaced** by Calculated Value. This Calculated Value **is now subject to** NACVA's Development and Reporting Standards.

We have **retained** "Other Services" which **are not required to comply** with the Development or Reporting Standards.

In accordance with the **new terminology**:

- Valuation engagements **conclude** in a Conclusion of Value;
- Calculation engagements **conclude** in Calculated Value; and an
- Engagement to estimate value is the **overall descriptive verbiage** for services which conclude in a Conclusion of Value or a Calculated Value.

2. Contingency **fees were moved** from the Ethics Section to the Reporting requirements Section. Contingent fees **may now be allowed** with appropriate disclosure.

3. The term "Independence" **was replaced** by the term "Financial Interest" to avoid confusion with the use of the term Independence as it relates to other (attest) functions.

4. Valuation engagements (Conclusion of Value engagements) have reporting requirements different from Calculation engagements (Calculated Value) reporting requirements. This **distinction necessitated changes** within NACVA's Sections 2, 3, and 4. Our changes reflect that when the member utilizes valuation approaches, methods, and professional judgment in the engagement, the Development and Reporting Standards apply. This represents **a significant change** as it relates to Calculation engagements, which were previously under "Other Services" and were not required to comply with the Development or Reporting requirements. This change was necessary to be consistent with the SSVS.

5. The Fundamental Analysis within the Development Standard is now **applicable only to** Valuation engagements (not to Calculation engagements).

6. We **added** to the Development Standard discussion of:

- Use of Specialist, and
- Rules of Thumb.

7. The Reporting Standard section now **specifically addresses** Summary Reports, Detailed Reports, and Calculation Reports. Oral Reports are **allowed in all cases**. The Oral Reports **content requirements** are established by the Summary Reports, Detailed Reports, and Calculation Reports reporting Standards, depending on the service being provided.

8. The Litigation Reporting Standards **waiver was rewritten** to read the same as the SSVS.

These eight items summarize the changes made to NACVA's Standards that the Committee and Boards deemed significant. An effort was made to retain brevity and **minimize changes**, focusing on **what was necessary to accomplish our objective**.

Sincerely Submitted,

*NACVA's Standards Committee*