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The ABCs of Business Valuation Designations

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CBA, ASA, ABV, CVA . . . welcome to the jungle of business valuation designations. While these designations may seem like any other professional title, they are very important qualifications and it is important to understand them. With varying degrees of requirements, such as years of experience, difficulty of exams and amount of continuing education programs, there is a big difference between many of them.

As such, over the last 30 years, the industry has gradually realized the necessity of accrediting practitioners to indicate levels of experience and expertise. Various national organizations have begun to certify and accredit business appraisers. However, without a uniform standard, the field has become a jungle of ABCs, which can cause confusion for clients and their professional advisors.

In the field of business valuation, there are no licensing requirements or specific college Degrees.

Today, most experts agree that there are four primary certifying organizations in the country:

Organization	Designation
Institute of Business Appraisers (IBA)	CBA - Certified Business Appraiser
American Society of Appraisers (ASA)	ASA - Accredited Senior Appraiser
American Institute of Certified Public Accountants (AICPA)	ABV - Accredited in Business Valuation
National Association of Certified Valuation Analysts (NACVA)	CVA - Certified Valuation Analyst

The Institute of Business Appraisers

Established in 1978, the Institute of Business Appraisers (IBA) was the first organization dedicated solely to business appraisers. Today, the IBA has about 1,750 members, of which about 400 are accredited as Certified Business Appraisers (CBAs).

There are fewer than a dozen CBAs in the Kansas City area.

The CBA designation is a highly regarded accreditation due to its stringent requirements. Candidates are required to complete 90 hours of appraisal education or have 10,000 hours of active experience. In addition, candidates must pass a proctored six-hour written exam and submit two appraisal reports for peer review. According to the IBA, approximately 75 percent of applicants pass the exam and one-third of submitted demonstration reports are accepted without change. CBAs are also required to take 24 hours of continuing education courses every two years. (Source: Howard A. Lewis, IBA)

The American Society of Appraisers

The American Society of Appraisers (ASA) is the oldest appraisal accreditation association, established in 1936. However, it did not recognize business valuations as a specialty until 1981. Multi-disciplinarily oriented, the ASA includes real estate appraisers, antique appraisers, art appraisers and others. Today, there are approximately 1,166 Accredited Senior Appraisers (ASAs) specializing in business valuations throughout the country, and only about 13 in the Kansas City area.

Like the CBA, the ASA is a designation that enjoys a strong reputation. All candidates are required to have at least five years of full-time experience in business valuation (2,000 hours equal one year of experience). In addition, candidates are required to complete ASA's four-level course series and pass the corresponding written and oral exams. All applicants must also interview with their local chapter, pass an ethics and USPAP (Uniform Standards of Professional Appraisal Practice) exam and present one appraisal report for peer review. About 60 percent of individuals pass the peer review on the first attempt. To maintain the ASA designation, business appraisers must complete up continuing education courses as part of a mandatory reaccreditation process. (Source: Terry Allen, ASA)

The American Institute of Certified Public Accountants

The American Institute of Certified Public Accountants (AICPA) is an organization of CPAs that branched into business valuation in 1997 because of the increased number of members engaging in appraisals. There are approximately 2,780 ABVs nationwide who hold the Accredited in Business Valuation (ABV) credential and about 20 in the Kansas City area.

ABVs are required to hold a CPA license, present at least six business valuations engagements or 150 hours of substantial valuation experience and pass a proctored one-day exam. The AICPA does not have a peer review process. (Source: Eddie Parker, AICPA)

The National Association of Certified Valuation Analysts

The National Association of Certified Valuation Analysts (NACVA) is one of the newest associations for business appraisers. Established in 1991, NACVA has approximately 5,000 accredited Certified Valuation Analysts (CVA). There are about 30 in Kansas City.

Similar to AICPA's ABV designation, NACVA's CVA designation is given only to CPAs. Applicants are not required to have any prior experience, but they must pass a two-part exam. The first part is a five-hour proctored exam and the second part is a 40-to 60-hour take-home exam that involves completing a business valuation report. Of the four accreditations listed here, the CVA has the highest pass/fail ratio, with approximately 96 percent passing the proctored exam and 86 percent passing the case study. Like the ABV, the CVA does not have a peer review process. To retain the CVA designation, members have the option of taking education courses, attending other NACVA programs, authoring an article, teaching a course on business valuations or submitting proof of continued experience. (Source: Mary Thompson, NACVA)

Conclusion

In general, the primary things to consider when evaluating a business appraiser are experience and expertise. While a lack of accreditation may not necessarily denote incompetence, accredited business appraisers show that they are willing to dedicate time and energy into learning the latest business valuation theories and principles. Likewise, the more qualified your business appraiser appears to be, the more credible his or her conclusions and testimony are to third parties.