



THE INSTITUTE OF BUSINESS APPRAISERS, INC.

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Explaining The Alphabet Soup: Business Appraisal Designations—What They Mean and How Difficult They Are To Obtain

Paul R. Hyde, EA, CBA, BVAL, ASA

The business appraisal profession is unusual. There are four major certifying organizations in the United States – each with its own requirements and designations. The profession lacks a clearly defined entry path—there is no specific college program that must be completed followed by an examination for licensing as is present for professions such as doctors, attorneys, engineers, etc. Business appraisers typically enter the profession from one of several related professions; they generally have a varied background and experience. All of this leads to a confusing set of initials for a variety of certifications after the name of each business appraiser—what Gary Trugman calls “alphabet soup.” The purpose of this article is to attempt to explain the alphabet soup—to describe what each of the business valuation credentials means and to provide information indicating the level of difficulty associated with obtaining it. In addition to the four major certifying organizations for business appraisers in the United States, many other organizations exist that have something to do with businesses each with their own designations. It must be remembered that business appraisers come from a variety of backgrounds—the existence of these other designations further complicates the issue of evaluating the credentials of business appraisers. The following is a list I have compiled by reviewing articles written by business appraisers over the last few years. There are undoubtedly more designations held by business appraisers out there than those shown—if I missed one you hold, I apologize!

Please note that the opinions and rankings set forth in this article are the author’s and not the opinions of The Institute of Business Appraisers or *Business Appraisal Practice*.

| Abbreviation | Name of Designation | Awarding Organization |
|---------------------|----------------------------------|------------------------------------------------------------|
| ABV | Accredited in Business Valuation | American Institute of Certified Public Accountants (AICPA) |
| AIBA | Accredited by IBA | Institute of Business Appraisers (IBA) |
| AM | Accredited Member | American Society of Appraisers (ASA) |

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| | | |
|------|-------------------------------------------------------|--------------------------------------------------------------|
| ASA | Accredited Senior Appraiser | American Society of Appraisers (ASA) |
| AVA | Accredited Valuation Analyst | National Association of Certified Valuation Analysts (NACVA) |
| BVAL | Business Valuator Accredited for Litigation | Institute of Business Appraisers (IBA) |
| CBA | Certified Business Appraiser | Institute of Business Appraisers (IBA) |
| CFA | Chartered Financial Analyst | Association for Investment Management and Research |
| CFE | Certified Fraud Examiner | Association of Certified Fraud Examiners |
| CPA | Certified Public Accountant | American Institute of Certified Public Accountants |
| CVA | Certified Valuation Analyst | National Association of Certified Valuation Analysts (NACVA) |
| CBI | Certified Business Intermediary | International Business Brokers Association |
| CFM | Certified in Financial Management | Institute of Management Accountants |
| CFP | Certified Financial Planner | College of Financial Planning |
| CMA | Certified Management Accountant | Institute of Management Accountants |
| EA | Enrolled Agent or Enrolled to Practice Before the IRS | Internal Revenue Service |
| FASA | Fellow of the American Society of Appraisers | American Society of Appraisers (ASA) |
| FIBA | Fellow of the Institute of Business Appraisers | Institute of Business Appraisers (IBA) |
| FCBI | Fellow Certified Business Intermediary | International Business Brokers Association |
| GVA | Government Valuation Analyst | National Association of Certified Valuation Analysts (NACVA) |

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| | | |
|------|-------------------------------------|----------------------------------------|
| JD | Juris Doctor | Law Schools Around the Country |
| MBA | Master of Business Administration | Various Universities |
| MCBA | Master Certified Business Appraiser | Institute of Business Appraisers (IBA) |
| PhD | Doctor of Philosophy | Various Universities |

The focus of this article is the four major organizations certifying business appraisers in the United States. A number of charts exist in various publications and on various websites that list and contrast the criteria for professional accreditation by the various organizations—perhaps the best is found on the American Society of Appraisers’s website.¹ It was taken from Shannon Pratt’s *Judges & Lawyers Business Valuation Update*.

I am a member of the Qualifications Review Committee for The Institute of Business Appraisers. Specifically, I have been the exam grader for those individuals seeking certification by the Institute of Business Appraisers since September 2000. Since then, I have been interested in assessing the difficulty of obtaining certification from each of the four major organizations that award business valuation credentials. Specifically, what percentage of people taking the qualifying exams pass and what percentage of people submitting reports to demonstrate competency pass.

The four major organizations certifying business appraisers in the United States with both the designations they award and the most commonly seen designation are listed below:

American Society of Appraisers (ASA)²

Designations Offered:

Accredited Member (AM)
 Accredited Senior Appraiser (ASA)
 Fellow of the American Society of Appraisers (FASA)

Most Commonly Seen Designation:

Accredited Senior Appraiser (ASA)

The Institute of Business Appraisers (IBA)³

Designations Offered:

Accredited by IBA (AIBA)
 Certified Business Appraiser (CBA)
 Master Certified Business Appraiser (MCBA)
 Fellow of the Institute of Business Appraisers (FIBA)
 Business Valuator Accredited for Litigation (BVAL)

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Most Commonly Seen Designation: Certified Business Appraiser (CBA)
National Association of Certified Valuation Analysts (NACVA)⁴
 Designations Offered: Accredited Valuation Analyst (AVA)
 Certified Valuation Analyst (CVA)
 Government Valuation Analyst (GVA)
 Most Commonly Seen Designation: Certified Valuation Analyst (CVA)

American Institute of Certified Public Accountants (AICPA)⁵
 Designation Offered: Accredited in Business Valuation (ABV)

As illustrated, most of these organizations offer more than one designation. Typically, each of them has an “entry” level designation, their “regular” designation, and a designation or designations for recognizing special service or experience. In order to fairly compare the designations awarded by each of these organizations, the most commonly seen designation (the “regular” designation) from each organization has been compared.

The “regular” designations from each organization are compared below using the following categories:

- Prerequisites
- Experience Requirement
- Courses & Exams Required
- Examination Pass/Fail Ratio
- Report Review Requirement
- Report Review Pass/Fail Ratio
- Continuing Professional Education Requirement
- Number of Certified/Accredited Members versus Members of the Organization

Prerequisite Comparison:

| | ASA | CBA | CVA | ABV |
|----------------------|------------------------------|-------------------------------------|----------------------------------------------------------------------|---------------------------------------|
| <i>Prerequisite:</i> | College degree or equivalent | Four years of college or equivalent | Hold a valid CPA license and be a member in good standing with NACVA | AICPA member with current CPA license |

Each of the organizations essentially requires a four-year college degree or equivalent. The CVA and ABV designations require the individual be a certified public accountant; the other two do not, but in order to qualify for certification, the individual

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must have a strong accounting and financial skills background. Holding a certified public accountant license in and of itself does not qualify an individual to perform business appraisals, as evidenced by the fact that only two of the available designations require that license as a prerequisite.

Valuation Experience Requirement Comparison:

| | ASA | CBA | CVA | ABV |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------|
| <i>Valuation Experience Requirement:</i> | ASA-Five years full-time or full-time-equivalent work (2,000 hours constitutes one year full time equivalent). One year's credit is granted to holders of a CPA, CFA, or CBI designation with five years of practice in that field. | Five years of full-time experience or equivalent OR 90 hours appraisal education of which at least 24 hours must be in courses offered by the IBA. Perform at least two business appraisals. | None. | Involvement in at least ten business valuation engagements that demonstrate substantial experience and competence. |

The experience requirement for the ASA designation is by far the most stringent—the applicant must prove that he or she has five years of full time or full time equivalent experience as a business appraiser. Both the CBA designation and the ABV designation require some experience or substantial education in the field before the designation can be awarded. The CVA designation has no experience requirement other than the prerequisite that applicants hold a certified public accountant license.

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Courses & Exams Required:

| | ASA | CBA | CVA | ABV |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| <i>Courses & Exams Required:</i> | Completion of four courses of three days each, with successful completion of a proctored one half-day exam following each class, or successful completion of an all-day challenge exam. An ethics exam and a USPAP exam also must be passed. | 90 hours appraisal education of which at least 24 hours must be in courses offered by the IBA or meet the five year experience requirement. Applicants must pass a proctored four hour exam. | Complete a five day training program and pass a four-hour proctored exam and a 40 to 60 hour take-home/in-office comprehensive exam which incorporates a case study. | No classes are required. A two day ABV Exam Review Course is offered by the AICPA. Applicants must pass a proctored one-day exam. |

The ASA designation requires the most education and experience. An eight hour comprehensive “challenge” examination is available, however, unless the appraiser is highly qualified and very knowledgeable, it is unlikely that he or she will pass. Historically, the pass/fail ratio for this accreditation challenge examination was 64%. The pass/fail ratio for the current accreditation challenge examination is 50%. An applicant may also challenge each of ASA’s four classes by examination in lieu of taking the class. The classes are challenging and very well done. Each successive class requires the applicant to have passed the examination for the previous class. For the year 2001, the pass/fail ratio for the exam given after the first ASA course, called BV 201, was 68%. Subsequent class pass/fail ratios are higher as the first class screens out some candidates who are less likely to succeed in the future classes. The 2001 pass/fail ratio for BV 202 was 80%, for BV 203 it was 98%, and for BV 204 the pass/fail ratio was 81%. Overall in 2001, 847 individuals took examinations for these classes during the year. 659 or 78% of them passed; 188 or 22% failed the examinations.⁶ Both examinations for the CBA and ABV designations require considerable business valuation knowledge—the CVA designation requires a five-day course from NACVA as part of the program.

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Examination Pass/Fail Ratio Comparison:

| | ASA | CBA | CVA | ABV |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <i>Examination Pass/Fail Ratio:</i> | Historically 64% of the people taking the 8-hour accreditation examination pass the exam; 36% fail. The current challenge exam has a 50% pass/fail ratio. ⁷ Those not attempting a challenge of the final exam in lieu of taking the courses, must pass the four courses BV201, BV202, BV203 and BV204 with grades of 75%. Each course may be challenged. | The qualifying examination was modified in February 1999. Prior to this date, 82% of the applicants passed. Since this date, 46% of applicants pass this exam. ⁸ | The pass/fail ratio is roughly between 70% and 75%. ⁹ | The first few years the pass/fail ratio was 75%. It has been between 71% and 72% for the last few years. ¹⁰ |

The ASA designation clearly has the most difficult examination process of the four credentials. Since February 1999, the CBA designation's examination has become considerably more difficult than it had previously been. A similar percentage of applicants pass the examination for both the CVA and ABV designations.

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Report Review Requirement Comparison:

| | ASA | CBA | CVA | ABV |
|-----------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------|------------|
| <i>Report Review Requirement:</i> | Submission of two actual appraisal reports to the satisfaction of board examiners | Submission of two business appraisal reports demonstrating professional level of competence | None | None |

The report review requirement provides the best evidence of the competence of a business appraiser as the actual product of the appraiser is reviewed by some of the best and most experienced appraisers in the industry. Both the ASA and CBA designations require applicants to submit two appraisal reports. Both organizations are noted for being tough on the review process—however, in talking with a number of applicants for both designations, I feel that the demonstration report review process for obtaining the CBA designation is the most difficult. Neither the CVA nor the ABV designation require business appraisal reports be submitted for review.

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Report Review Pass/Fail Ratio Comparison:

| | ASA | CBA | CVA | ABV |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <i>Report Review Pass/Fail Ratio:</i> | 60% of the individuals submitting reports for peer review pass the review. 40% fail and are required to resubmit new reports. ¹¹ | 28% of those submitting demonstration reports pass on the first time. Others are required to revise and resubmit the reports. If the second submission of a report does not pass, the applicant is required to submit an appraisal report for another company. ¹² | Not Applicable. | Not Applicable. |

While both appraisal reviews are challenging, these figures tend to support my belief that the CBA appraisal review process is more difficult than the review process to obtain the ASA designation.

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Continuing Professional Education Requirement Comparison:

| | ASA | CBA | CVA | ABV |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Continuing Professional Education Requirement:</i> | Every five years each ASA must submit proof of 100 hours of continuing professional education. | Every two years each CBA must submit proof of 24 hours of continued professional development. | Each CVA must maintain their CPA credential and participate in NACVA's Quality Enhancement program. | Every three-year period each ABV must provide evidence of five business valuation engagements and 60 hours of related continuing professional education. |

Each of the four organizations requires ongoing professional education in order to maintain the business appraisal designation.

Number of Certified/Accredited Members versus Members of the Organization Comparison:

| | ASA | CBA | CVA | ABV |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Number of Certified Members versus Members of the Organization:</i> | The organization began accrediting members in business valuation in 1981. As of November 2001, there were 735 Accredited Senior Appraisers (ASA), 100 Accredited Members (AM), and 5 Fellows (FASA) for a total of 840 Accredited Members. There were also 1,148 Candidates and 303 applicants working towards meeting the requirements to be a Candidate member (passing the Ethics and USPAP tests). ¹³ | The organization was formed in 1978. As of November 2001, there were 276 Certified Business Appraisers (CBA), 13 Master Certified Business Appraisers (MCBA) and 36 Accredited by IBA (AIBA). IBA has approximately 3,400 members. ¹⁴ (To be fair, many members join to have access to the IBA database and some of the members may not be working toward certification). | The NACVA was formed in 1993. As of November 2001, there are approximately 4,000 Certified Valuation Analysts (CVA). As of the same date, there were approximately 5,000 members of NACVA. Of the 1,000 members who were not CVAs, not all are CVA candidates; some hold the Accredited Valuation Analyst (AVA) or Government Valuation Analyst (GVA) designations or are candidates for them. ¹⁵ | The AICPA began its business valuation specialty accreditation in 1997. As of November 2001, there were 1,307 people holding the Accredited in Business Valuation (ABV) designation. The AICPA has over 330,000 members—it is unknown how many are pursuing the ABV designation or are doing business valuation work. ¹⁶ |

The number of people who have been awarded these business appraisal professional designations compared to the number of members seeking them provides some indication of the difficulty in achieving the designation. The American Society of Appraisers began accrediting individuals in business valuation in 1981. As of November 2001, there were only 840 accredited members in business valuation by the American Society of Appraisers and as of November 2001, there were 1,451 people pursuing the designation. As of the same time, there were only 276 Certified Business Appraisers with 3,400 members of the Institute of Business Appraisers, Inc. This designation has been available since 1978—yet only 276 people had received it as of November 2001. Obviously, as mentioned above, not all of the approximately 3,400 non-certified members are actively seeking the designation, but it is reasonable to assume that many are. The National Association of Certified Valuation Analysts (NACVA) was formed in 1993. Of its approximately 5,000 members, 4,000 hold the Certified Valuation Analyst (CVA) designation. Some of the 1,000 difference, hold the other two designations offered by the organization. The American Society of Certified Public Accountants (AICPA) began accrediting members in business valuation in 1997—as of November 2001, there were 1,307 holders of the Accredited in Business Valuation (ABV) designation. This comparison seems to indicate that the CVA designation and the ABV designations are much easier to earn than are the CBA and ASA designations.

Authoritative Books in the Profession

Another method of determining which credential(s) are given the most weight in the business appraisal industry suggested by Michele Miles, Attorney At Law and author of The Business Appraiser and Litigation Support is to look at who wrote the books considered authoritative in the profession and examine what credentials are held by the writers.¹⁷ The books Ms. Miles recommends as books on the required reading list written by business appraisers with their authors and the author's business valuation credentials (some with College of Fellows designations have been changed to reflect the "regular" designation for comparison purposes) are listed below:

Basic Business Appraisal, by Raymond C. Miles, CBA, ASA published by IBA Press.

Business Valuation Body of Knowledge, by Shannon P. Pratt, CBA, ASA published by John Wiley & Sons.

Guide to Business Valuations, by Jay E. Fishman, ASA, CBA and Shannon P. Pratt, CBA, ASA published by Practitioner's Publishing Company.

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Handbook of Advanced Business Valuation, by Robert F. Reilly, ASA, CBA and Robert P. Schweihs, ASA published by John Wiley & Sons.

Quantifying Marketability Discounts, by Z. Christopher Mercer, ASA published by Peabody Publishing.

Understanding Business Valuation, by Gary Trugman, ABV, CBA, ASA published by the American Institute of Certified Public Accountants.

Valuing Small Businesses and Professional Practices, by Shannon P. Pratt, CBA, ASA, Robert F. Reilly, ASA, CBA, and Robert P. Schweihs, ASA published by John Wiley & Sons.

Valuing a Business: The Analysis and Appraisal of Closely Held Companies, by Shannon P. Pratt, CBA, ASA, Robert F. Reilly, ASA, CBA, and Robert P. Schweihs, ASA published by John Wiley & Sons.

As this list illustrates, the authors of the books considered authoritative in the industry hold the Certified Business Appraiser designation awarded by The Institute of Business Appraisers and/or the Accredited Senior Appraiser designation awarded by the American Society of Appraisers. Of the authors on this list, only Gary Trugman holds the Accredited in Business Valuation (ABV) designation—he is also a Certified Business Appraiser and an Accredited Senior Appraiser. None of the authors hold the Certified Valuation Analyst (CVA) designation.

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The following is my ranking of the difficulty in obtaining for the four “regular” business appraisal designations along with the reasons for this ranking:

| Rank – From Most Difficult to Easiest | Designation | Reasons for Ranking |
|----------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First (Most Difficult) | ASA | The four courses that must either be taken or successfully challenged, each with its own exam at the conclusion of the three day class, are rigorous. Each class screens out some applicants who do not master its material. The accreditation “challenge” examination historically excluded 36% of the applicants—the current challenge examination was failed by 50% of applicants. Further, each applicant must submit two actual appraisal reports prepared for clients for a peer review—40% fail this process and must resubmit reports. Also, each applicant must submit evidence verifying five years full time business appraisal experience or four years experience with one-year credit for some other experience. This program is clearly the most challenging of the four business appraisal designations. |
| Second | CBA | This designation requires five years experience or 90 classroom hours from a business valuation organization of which 24 hours must be in courses offered by the IBA. The qualifying examination was modified in February 1999. Prior to this date, 82% of the applicants passed. Since this date, 46% of applicants pass this exam. The report review requirement has always been the most difficult aspect of achieving this designation. Data from October 1990 to present indicates that only 28% of applicants pass on the first review. Those failing the review and a first submittal of corrections, must submit new reports for review—further fixing of the first submitted reports is not allowed. The difficulty of the demonstration report requirement for peer review qualifies this designation as the second most difficult to obtain in my opinion. |

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| | | |
|-----------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Third | ABV | This designation is available only to Certified Public Accountants. Candidates must be “involved in at least ten business valuation assignments. No specific education in business valuation is required but a two day review class for the examination exists. The pass rate for the exam for the first few years was 75%. The pass rate for the last few years has dropped to 72%. This designation has been rated as the third most difficult to obtain based on discussions with a number of people who hold it as well as the CVA designation. I have been informed by these people that the examination for the ABV credential is much more difficult than the examination for the CVA. No requirement for a peer review of demonstration appraisal reports is required for this designation. This, in my opinion, makes this designation much easier to obtain than either the ASA or the CBA. |
| Fourth (Easiest to Obtain) | CVA | This designation is available only to Certified Public Accountants. Applicants must pass a five-day training program and pass a two part exam. The first part is a half-day test and the balance is a take home case study. This is the easiest of the designations by far. This is verified by the large number of people holding the designation—4,000 as of November 2001 versus 5,000 members some of whom hold the other designations awarded by this organization. |

I recommend that those serious about business valuation work pursue the two designations that require peer review of their appraisal reports as part of the certification process. There is certainly nothing wrong with the CVA and ABV designations—they simply do not go far enough in my opinion to ensure that the holders are truly competent in the field. The Certified Business Appraiser (CBA) designation awarded by The Institute of Business Appraisers, Inc., in my opinion is geared primarily to the appraisal of small to medium sized closely held businesses. The Accredited Senior Appraiser (ASA) designation awarded by the American Society of Appraisers is geared primarily to the appraisal of medium to large size closely held businesses. In order to do the very best job for your clients, I feel that business appraisers should obtain both the CBA and the ASA designations. I further recommend that appraisers take each of the courses offered by both

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The Institute of Business Appraisers and the American Society of Appraisers that teach what is needed to pass all of the required examinations—they are excellent. Once certification and accreditation are achieved, business appraisers are required to take continuing education classes. Even if this was not a requirement, those serious about their profession would choose to do so anyway. The field is constantly changing and requires a lot of reading and ongoing participation in classes to keep up—it is also very interesting and a lot of fun!

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- ⁹ E-mail dated November 28, 2001 from Doug Kirchner, Director of Marketing and Quality Control with the National Association of Certified Valuation Analysts.
- ¹⁰ E-mail from and phone call to Madelaine Feldman, Examinations Coordinator-Accreditations with the AICPA on November 28, 2001.
- ¹¹ E-mail dated December 7, 2001 from Jerry Larkins, Director of Membership and Customer Service with the American Society of Appraisers.
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- ¹³ E-mail dated December 7, 2001 from Jerry Larkins, Director of Membership and Customer Service with the American Society of Appraisers.
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- ¹⁷ Michele G. Miles. The Business Appraiser and Litigation Support. (New York: John Wiley & Sons, Inc., 2001), p. 51.