



Business Appraisal Practice (BAP)

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Summary: Business appraisers occasionally rely on another appraiser's work product as part of their appraisal assignment. It is important to understand what is included in various report options since there are a number of options available to clients needing an appraisal. The relevance of various options depends entirely upon the purpose and use of the appraisal report.

Under the relatively new "Scope of Work" rule outlined in the Uniform Standards of Professional Practice ("USPAP"), the client and the appraiser are able to "negotiate" the parameters of the assignment in order to meet the client's need (often designed to save money when possible).

The charts below illustrate some of the common options for real estate appraisals, business appraisals, and equipment & personal property (including livestock) appraisals – as well as outlining their typical uses, and the degree of defensibility of the determined result.

Real Estate Appraisal Options

Appraisal Type	Report Type	Defensibility
Calculations	Letter Report	Used primarily to assist in arriving at an asking price for an anticipated sale. This type of assignment is not an appraisal as too many required steps are omitted. It involves a basic "crunch" of the historical numbers and the application of several appraisal methods to arrive at a likely range of values. A calculations report is not suitable for any kind of IRS or litigation use.
Single "Best" Method	Limited Summary Report	Used by a few lenders who want to save some money. In my opinion, the use of this type of report has contributed to the financial mess that many lenders are in. The use of a single "best" method, when other methods are applicable, results in a value conclusion without much support. This type of report is not suitable for any kind of IRS or litigation use.
Real Estate Appraisal	Restricted Use Report	Primarily for internal use by the property owner only. This type of report is allowed under USPAP for one party only. The parameters of the work to be done are agreed upon by the client and the appraiser. This type of report is not appropriate for any use where a second party is involved.
Real Estate	"Limited"	Used for a wide range of assignments. This type of report

Additional Resources:

[Advanced Techniques for Exceptional Report Writing](#)

[Business Valuation Certification and Training](#)

[Advanced Valuation: Applications and Models](#)

[Advanced Valuation Discounts and Premiums](#)

[Capitalization/Discount Rates: Assessing the Alternatives](#)

[Current Update in Valuations](#)

NACVA Ambassadors' QuickRead — February 2011

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