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Valuation Standards Under the Implementation Process of IFRS

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In this paper, the authors focus on valuation standards as a result of the mandatory effect of the implementation of International Financial Reporting Standards (IFRS), and more precisely on the context of fair value. The paper assesses the impact concentrate on the IFRS adopter countries and at the same time on the Business Valuation Standards (BVS), because they provide consistence and comparability, in time and in space, to the valuation even different implementation levels of the accounting information system (AIS). The results corroborate that rules and practices are not sufficient conditions to create a widespread accounting language, and international institutional standards play an essential role in framing financial reporting characteristics, in order to assist financial analysts and accountants to implement the accounting system and strategies, as well as, on firms to adopt the best valuation practices on their disclosures. Also, the authors recommend that the International Accounting Standards Board [IASB], the Securities and Exchange Commission [SEC], the European Commission [EC] and valuation agencies should now devote their efforts to harmonizing valuation standards rather than harmonizing accounting standards.

Keywords: valuation standards, IFRS, accuracy, international agencies

Introduction

There is an unequivocal need for the valuation standards in accordance with changes of International Financial Reporting Standards (IFRS), according to European Commission [EC] (2008):

> It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realizable value, fair value or recoverable amount) because the basis on which the financial statements are prepared significantly affects their analysis. (p. 19)

Indeed, the context of each valuation process is present on the implementation of the accounting system and financial reporting guidelines. So, the IFRS published by International Accounting Standards Board [IASB] ensure that the financial statements, as well as, financial reports contain high quality of information: (1) is transparent to users and comparable for all periods presented; (2) provides a suitable starting point for accounting under IFRS; and (3) can be generated at a cost that does not exceed the benefits to users (EC, 2008, p. 342).

On the other hand, according to International Valuation Standards Committee [IVSC] (2007), the valuation standards must meet objectives such as:

> (1) The standards must be of the highest quality, understandable, clear, and capable of consistent application, thereby

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serving to enhance the quality and uniformity of valuation practice worldwide;

(2) The standards must be seen as a body of standards in their own right to meet the needs of the global market place and to provide a basis for the convergence of national standards to international valuation standards;

(3) The standards must encompass requirements for the valuation of all assets, liabilities, and businesses.

Thus, the mission of the IVSC is to formulate and publish valuation standards and procedural guidance for the valuation of assets for use in financial statements, and to promote their worldwide acceptance and observance, as well to harmonize standards among the world's states, and to make disclosures of differences in standards statements and/or applications of standards as they occur (Mackmin, 1999). Undeniably, valuation standards provide a clear guidance on the valuation process in a wide range of business and, at the same time, it reduces difficulties of concepts interpretations.

The remainder of this paper is organized as follows. The first section defines the value concept that aims to be the basis of the accounting information system (AIS) to discuss and then help to assess the decision making process. In this context, the Business Valuation Standards (BVS) provide consistence and comparability, in time and in space, to the valuation despite the fragile information system. The second section from the definition of value explains the historic perspective of valuation agencies and the increase awareness to the valuation methods, standards and procedures, and the role of ethics and professional behavior of the valuer, is designed to establish the needs of the valuation client. The third section points to the need of the valuation agencies publish BVS in order to assist financial analysts and accountants to implement the accounting system and strategies, as well as, on firms to adopt the best valuation practices on their disclosures. Finally, the last section presents some comments that contribute to the debate of the valuation standards role on the presentation and disclosure of the financial reports.

Defining Value

Although there is a single value for a property, there may be different values for the same property, depending of the value being sought (Pratt, Reilly, & Schweihs, 1998). So, as the definition of value plays a major role for the informational value of the appraisal, the Uniform Standards of Professional Appraisal Practice (USPAP) emphasize the importance of an accurate value definition when a common Market Value Appraisal is conducted (Spies & Wilhelm, 2005). Effectively, as value is the fundamental element of an appraisal, this fact justifies the importance of the value concept definition. Hitchner (2003) argued that, there are five standards of value: fair market value; investment value; intrinsic value; fair value (state rights); and fair value (financial reporting). In this sense, the "fair market value" is defined by the US Treasury as: "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts" (Hitchner, 2003, p. 3).

This definition applies to most federal and state tax matters, such as estate taxes, gift taxes, inheritance taxes, income taxes, and Ad valorem taxes (Pratt et al., 1998). Also, implies that the parties have the ability, as well as the willingness, to buy or to sell. This is in contrast to "investment value", identified as: "the value to a particular investor, which reflects the particular and specific attributes of that investor" (Hitchner, 2003, p. 5).

So, the investment value reflects the subjective relationship between a particular investor and a given investment, existing different reasons to justify that the investment value to one particular owner differs from the fair market value (Lennhoff, 2001). These reasons can be differences in: estimates of future earning power;

perception of the degree of risk; income tax status; and synergies with other operations owned (Pratt et al., 1998).

At the same time, the "intrinsic value", proposed by the American Institute of Certified Public Accountants [AICPA], is defined as:

> The amount an investor considers to be the "true" or "real" worth of an item, based on an evaluation of available facts. It is sometimes called fundamental value. It is an analytical judgment of value based on perceived characteristics inherent in the investment (not characteristics peculiar to any one investor). (Hitchner, 2003, p. 5)

Thus, the intrinsic or fundamental value differs from investment value in that: "It represents an analytical judgment of value based on the perceived characteristics inherent in the investment, not tempered by characteristics peculiar to any one investor" (Pratt et al., 1998, p. 43).

Also, for a correct delimitation of the standard of value applied, it is important defined the "fair value (state rights)" and "fair value (financial reporting)". On one side, for the Uniform Business Corporation Act, the first concept of fair value considers: "the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action" (Hitchner, 2003, p. 5).

This fair value is the standard of value for state actions, including dissenting rights cases and shareholder oppression cases. According to Pratt et al. (1998):

> If a corporation merges, sells out, or takes certain other major actions, and if the owner of a noncontrolling interest believes that he is being forced to receive less than adequate consideration for his stock, he has the right to have his shares appraised and to receive fair value in cash. (p. 45)

On the other hand, the fair value for financial reporting is defined in the Statement of Financial Accounting Standard (SFAS) 141—*Business Combinations*, and 142—*Accounting for Goodwill*, published by the Financial Accounting Standards Board [FASB], as: "the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale" (FASB, 2001).

More recently, the SFAS 157—*Fair Value Measurements*, issued in September 2006, states that: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (Mears, 2008, p. 1).

Following this, different reasons, as law or investor objectives and perspectives, can justify different notions of value applied in different circumstances. However, concerning the fair value definition, the subjectivity of fairness is a problem which is often discussed, because it might lead to different values depending on the viewer's attitude (Dorchester Jr., 2004).

In the literature with high level of research is possible to accept that corporate finance impacts on firm value (see Fama, 1980; Morck, Shleifer, & Vishny, 1988; Bolton & Scharfstein, 1990; Vogelgesang, 2003; Lyandres, 2007), on capital structure (see Jensen & Meckling, 1976; Myers, 1977; Myers & Majluf, 1984; Stulz, 1990; Dewatripont & Tirole, 1994), on corporate governance (see Fama & Jensen, 1983a, 1983b; Williamson, 1988; Shleifer & Vishny, 1997; Vissing-Jorgesen, 2003) and on the effect of firm size (see Walkling & Long, 1984; Jensen, 1986; Shleifer & Vishny, 1989; Morck, Shleifer, & Vishny, 1990). So, the insights gained from corporate finance can also be useful, in the valuation analysis as Sealey Jr. (1983, p. 858) defended: "the principal issues addressed in the field of corporate finance, such as valuation, capital structure, and shareholder unanimity, have been dealt with only on a cursory level in the literature on financial intermediation".

The appropriate level of context and detail of the valuation can only be provided by settled set of valuation standards that is based on the business relations that are difficult to measure (Mansfield & Lorenz, 2004). At the same time, several researchers defend the importance of valuations to business decisions. Indeed, these standards help the valuation service to reduce the risk of moral hazard of the valuers (Baum, Crosby, Gallimore, Gray, & McAllister, 2000). However, McParland, Adair, and McGreal (2002, p. 140) detailed that the primary purpose of valuation standards is: "to provide clients and valuers with an understanding of the concepts and bases of value…evolve in accordance with changes in the property market in order to fulfill their role within the valuation process."

Also, the increase awareness to the valuation methods, standards and procedures provides different opportunities for managers to promote judgment in the valuation reporting. Consequently, firms ensure comparability both with the financial statements of previous periods and with other entities. Bhojraj and Lee (2002) estimated through valuation models the key theoretical constructs of growth, risk, and profitability and will allow comparability. Clearly, Adair, Dowien, McGreal, and Vos (2005) argued that valuation is developed for much purpose varying from one country to another and from time to time. This can arise to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions (EC, 2008).

The role, ethics and professional behavior of the valuer is designed to establish the needs of the valuation client. In this sense, Leland (1979) did not discuss how setting standards may influence the abilities of professionals, because he identified a situation in which imposing minimum quality-standards enables a market for professional services to survive when sellers have more information than buyers do.

From Defining Value to the Historic Perspective of Valuation Agencies

Traditionally, valuation agencies are founded in different countries to promote under a range of laws and regulations, professional codes of conduct and specific requirements, the valuation process in strict respect of knowledge, dignity, fairness, integrity, competence and independence. For example, Dorchester Jr. and Vella (2000) presented in their research one perspective of global standards that focus on valuation agencies all over the world.

In 1973, the Royal Institution of Chartered Surveyors [RICS] of United Kingdom (UK) created an Assets Valuation Standards Committee, who developed the UK Guidance Notes on the Valuation of Assets, first edition 1976, second edition 1981, and third edition—*Statements of Asset Valuation and Guidance Notes*—in 1990 (Mackmin, 1999). These notes dealt almost exclusively with valuation of real estate for company accounts purposes, stock exchange purposes and similar needs. Five years later, in 1995, the RICS published its Appraisal and Valuation Manual—the *Red Book* (Sarah & Connellan, 2002). The principal aims of this Manual are to:

(1) Encourage valuers carefully to establish and understand at the outset their clients' needs and requirements, and to satisfy themselves that they are equipped to meet them to a satisfactory standard;

(2) Promote the consistent use of bases and assumptions on which valuations are provided and the selection on each occasion of the basis which will meet the clients' proper needs;

(3) Help valuers to achieve high standards of professional competence in the preparation of valuations and appraisals;

(4) Promote the provision of unambiguous and readily comprehensible valuation and appraisal reports which provide the advice and information their readers need and should have;

(5) Ensure that published references to valuations include clear, accurate, and sufficient information which is not misleading (Mackmin, 1999).

In 1977, the RICS, with a number of European Associations, formed the European Group of Valuers of Fixed Assets (TEGoVOFA) now designed the European Group of Valuer Associations (TEGoVA). TEGoVA has worked to produce a European set of valuation standards (EVSs)—the *Guide Bleu* (Sarah & Connellan, 2002). According to Mackmin (1999), the purpose of the EVS is to:

(1) Assist valuers, through clear guidance, in preparing coherent reports to clients;

(2) Promote consistency by the use of standard definitions of market value and the approach to valuation;

(3) Provide a quality standard in terms of a validation, of recognized qualification, and best practice as a benchmark for users of valuations;

(4) Ensure an accurate basis for economic analysis of the efficient use of scarce land and building resources;

(5) Inculcate a client-and task-oriented approach to valuation among valuers;

(6) Increase awareness of the role of the valuer;

(7) Institute procedures leading to clearly set out, accurate, unambiguous;

(8) Certification of value consistent with national and superannuation legislation, valuation and accounting standards, and recommendations of best practice.

This European Group associated with RICS and the American Appraisal Institute [AAI] founded the International Assets Valuation Standards Committee [IAVSC], that published in 1985 the first International Valuation Standards (IVS), and which subsequently changed its name to the IVSC. The IVSC is a Non-Governmental Organization [NGO] member of the United Nations [UN], with membership that encompasses all the major national valuation standard-setters and professional associations from 41 different countries (Portugal is not included). The IVSC has issued a *White Book—The Valuation of Real Estate Serving as Collateral for Securitized Instruments* (IVSC, 2007).

From its inception, the IVSC worked towards harmonizing national valuation standards by developing standards at an international level that could serve as a model on which national standard setters could base their own standards (IVSC, 2007). These efforts have contributed to raising the level of valuation standards worldwide and reducing the number of differences, similar to the process of accounting harmonization proposed by the International Accounting Standards Committee [IASC] (now known as IASB) with their International Accounting Standards (IAS, now known as IFRS). The original aim of the IVSC was the development of a set of common international real estate valuation standards to support the financial reporting. But, since then, the IVSC has broadened their scope and recently introduced standards for all types of asset classes (such as business and non-tangible assets).

The goal of the IVSC must be to develop a body of standards to meet the needs of the global market place and to provide a basis for the convergence of national standards to international valuation standards (IVSC, 2007). IVSC (2007) stated that, the valuation standards:

(1) Are required to provide consistency and comparability of valuations;

(2) Should provide a consistent valuation approach in similar circumstances and which is readily available and understood by users and valuers and relevant to the purpose of the valuation;

(3) Should assist the valuer in setting out and agreeing with the user the terms under which valuations will be provided;

(4) Provide a measure of the performance of a competent practitioner.

In parallel, since 1986, nine leading professional appraisal organizations in the United States and Canada formed the Ad Hoc Committee on the USPAP. Agreeing upon a generally accepted set of standards, the eight United States (US) committee members adopted those standards and thereafter established *The Appraisal Foundation* in 1987 to implement USPAP. The USPAP was adopted by the Appraisal Foundation on January 30, 1989 and is recognized throughout the United States as the generally accepted standards of professional appraisal practice (Spies & Wilhelm, 2005). As Pratt et al. (1998, p. 4) stated: "The fact these standards are, indeed, reaching a position of general acceptance is evidenced by frequent references to USPAP in both judicial decisions and in the professional literature".

Therefore, the historical perspective is an inherent part of valuation agencies that obviously need to take proactive action at the business valuations standards. However, there is a jurisdictional boundary between these standards and the report made by financial analysts and accountants. It has became manifest in a variety of ways that these experts must be classify as scientific group more than professional, because they need to reintroduce traditional financial models in the valuation process.

From Historic Perspective of Valuation Agencies to Business Valuation Standards

After explaining the historic perspective of valuation agencies, we will analyze the increasing awareness of the valuation methods, standards and procedures, as well as, for the role of ethics and professional behavior of the valuer. In the literature several authors study these aspects. For example, Lee and Ng (2005) showed a negative relationship between country-level corruption and corporate valuation. But more important than corruption is the investor protection expresses in terms of the nature of legal systems, common law, civil law, and other specific measures and rights (Riahi-Belkaoui, 2004). To promote this description, it will be used the methodology of the Nijkamp, Vindigni, and Nunes (2008, p. 221) research, where content analysis was defined as: "a method for making inferences by identifying characteristics of text messages in a systematic way in order to convert the text message into distinct classes that can be studied with the use of quantitative methods".

It is important to focus also on qualitative methods that integrate these mixed methods of research. An emerging literature also presents international evidence to examine the business valuation standards published by each valuation agencies. Specifically, they are analyzed the following agencies: the USPAP, the AICPA, the American Society of Appraisers [ASA], the Institute of Business Appraisers [IBA], the National Association of Certified Valuation Analysts [NACVA], the Canadian Institute of Chartered Business Valuators [CICBV], and the IVSC.

The USPAP consists of 10 standards, with supplementary information providing explanation, clarification and guidance. The introductory section of the standards includes definitions, a preamble, and five overriding rules of conduct, covering ethics, competency, departure, the jurisdictional exception, and supplemental standards. The USPAP standards cover all three disciplines of appraising: Standards 1 through 6 cover real estate; Standards 3, 6, 7, and 8 cover personal property; and Standards 3, 9, and 10 cover business and intangible assets (Hitchner, 2003). Table 1 reflects the USPAP business valuation standards.

Table 1

USPAP Business Valuation Standards

Standard	Subject
S-1	Real Property Appraisal: Relating to real property appraisal. In essence, it provides the appraiser and the client with a checklist of topics that must be addressed broadly in the order in which they should be addressed by the appraiser.
S-2	Real Property Appraisal, Reporting: Details the form and content of the report that has to be produced.
S-3	Review Appraisal and Reporting: Deals with the situations where an appraiser is requested to review an appraisal/valuation prepared by another appraiser.
S-4	Real Estate/Real Property Consulting: Covers the work of the appraiser producing consultancy services, such as market analysis, cash flow or investment analysis and feasibility analysis.
S-5	Real Estate/Real Property Consulting, Reporting: Covers the reports that have to be prepared for consulting service.
S-6	Mass Appraisal and Reporting: Relates to those appraisal services which deal with a number of individual properties to be valued at one time, as might be the case for various forms of taxation.
S-7	Personal Property Appraisal: Deals with the appraisal of personal property, which is defined as "identifiable, portable, and tangible objects which are considered by the general public as being personal, e.g., furnishings, artwork, antiques, gems and jewelery, collectables, machinery and equipment; all property that is not classified as real estate".
S-8	Personal Property Appraisal, Reporting: Covers the reporting requirements for a personal property appraisal.
S-9	Business Appraisal: Concerns the appraisal of business or intangible assets. The latter would include copyrights, goodwill, equities, and moral rights.
S-10	Business Appraisal, Reporting: Deals with the reporting requirements for intangible asset appraisals.

Note. Source: Mackmin (1999, p. 361).

While USPAP is the first organization to issued business valuation standards in United States, other professional organizations provide assistance to their members in valuing business, such as: the AICPA, the ASA, the IBA, the NACVA, and the CICBV.

The AICPA offers a credential in business valuation since 1997 (Accredited of Business Valuation—ABV) and currently has business valuation standards under development, including those performing business valuations (Hitchner, 2003). This Institute includes the code of professional conduct and statement on standards for consulting services (Hitchner, 2003). The AICPA recognizes the Certified Public Accountants (CPA) service niche and confers an accreditation credential reflecting this recognition for those in public practice, industry, government and education (Pratt et al., 1998). Its members are engaged in areas such as auditing, accounting, taxation, general business consulting, business valuation, personal financial planning, and business technology, not having their institutional own rules.

For its part, the ASA is an international organization of appraisal professionals, representing their members all disciplines, including business valuation. The ASA is founded in 1952 (Pratt et al., 1998) and their business valuation standards date from the early 1990s (Hitchner, 2003). The appraisal professionals value businesses, business ownership interests, and securities for businesses of all sizes, as well as value specific intangible business assets like patents, trademarks, employment agreements, copyrights, and goodwill.

The ASA business valuation standards include an explanatory preamble and nine standards. Standards 1 through 7 and Standard 9 discuss preparation of the valuation and Standard 8 covers reporting (ASA, 2009). Table 2 shows the ASA business valuation standards that provide minimum criteria for developing and reporting on the valuation of businesses, business ownership interests, or securities.

Table 2

ASA Business Valuation Standards

Standard	Subject
BVS-1	General Requirements for Developing a Business Valuation: Define and describe the general requirements for developing the valuation of businesses, business ownership interests, securities, and intangible assets.
BVS-2	Financial Statement Adjustments: Define and describe the requirements for making financial statement adjustments in the valuation of businesses, business ownership interests, securities, and intangible assets.
BVS-3	Asset-Based Approach to Business Valuation: Define and describe the requirements for the use of the asset based approach (and the circumstances in which it is appropriate) in the valuation of businesses, business ownership interests, securities, and intangible assets, but not the reporting thereof.
BVS-4	Income Approach to Business Valuation: Define and describe the requirements for the use of the income approach in the valuation of businesses, business ownership interests, securities, and intangible assets, but not the reporting thereof.
BVS-5	Market Approach to Business Valuation: Define and describe the requirements for the use of the market approach in the valuation of businesses, business ownership interests, securities, and intangible assets, but not the reporting thereof.
BVS-6	Reaching a Conclusion of Value: Define and describe the requirements for reaching a final conclusion of value in the valuation of businesses, business ownership interests, securities, and intangible assets.
BVS-7	Valuation Discounts and Premiums: Define and describe the requirements for the use of discounts and premiums whenever they are applied in the valuation of businesses, business ownership interests, securities, and intangible assets.
BVS-8	Comprehensive Written Business Valuation Report: Define and describe the requirements for the written communication of the results of a business valuation, analysis, or opinion, but not the conduct thereof, which may reflect the three types of engagements defined in BVS-I.
BVS-9	Intangible Asset Valuation: Describe the requirements for the valuation of intangible assets.

Note. Source: ASA (2009).

The IBA has been active in the business valuation community since 1978, and focuses on the appraisal of small to medium-size businesses. The Institute is a pioneer in business appraisal education and professional accreditation, and the business valuation standards of the IBA were first published in 1993 and have been revised periodically since then (Hitchner, 2003). The IBA have established as goals: to increase awareness of business valuation as a specialized profession; to ensure that the services of qualified, ethical appraisers are available; to expand the knowledge regarding the theory and practice of valuation; to develop and provide information, programs & services for members; and to impact national policy and law affecting the valuation community (IBA, 2008). The Business Appraisal Standards (BAS) proposed by the IBA include an explanatory preamble and seven standards presented in Table 3.

The NACVA was founded in 1991, offers a credential in business appraising as a Certified Valuation Analyst (CVA). NACVA first published its business valuation standards in the mid-1990s with periodic updates since then, focusing on the development of the opinion of value and on reporting (Hitchner, 2003). The NACVA members shall perform valuation and other services in compliance with a code of professional conduct consisting of the NACVA principles and rules (NACVA, 2007). The NACVA professional standards (PS) include a preamble and five general standards, as Table 4 shows.

Table 3

IBA Business Valuation Standards

Standard	Subject
BAS-1	Professional Conduct and Ethics: Competence; confidentiality; disinterestedness; non-advocacy versus advocacy; engagement; coherence and production; supportable opinion; replicability; appropriateness; jurisdictional exception; fiduciary duty to clients and other duties; duty to profession; substance versus form; professional fees; access to requisite data; valuation approaches/methods; definitions; principal sources and references; site tours and interviews; eligibility of data; departure; hypothetical reports; dissenting opinion; membership designations; certification; qualifications of the appraiser; force and effect; enforcement; amendments to standards; and signing reports.
BAS-2	Oral Appraisal Reports: Usage; mandatory content; conformity; written follow-up; and recordkeeping.
BAS-3	Expert Testimony: Definition; mandatory content; conformity; and recordkeeping.
BAS-4	Letter Form Written Appraisal Reports: Definition; conformity; mandatory content; distribution of report; valuation conclusion; transmittal letter; and recordkeeping.
BAS-5	Formal Written Appraisal Reports: Definition; conformity; mandatory content; distribution of report; valuation conclusion; transmittal letter; and recordkeeping.
BAS-6	Preliminary Reports: Definition; conformity; usage; disclosure; departure; oral versus written; and recordkeeping.
BAS-7	Conducting a Business Appraisal Assignment: Description of the assignment; economic conditions and industry data; survey of the subject firm; financial performance of the subject company; valuation of the subject company; and presentation of conclusions.

Note. Source: IBA (2008).

Table 4

NACVA Professional Standards

Standard	Subject
PS-1	General and Ethical Standards: A member shall perform valuation and other services in compliance with a code of professional conduct consisting with principles and rules like: integrity and objectivity; professional competence; due professional care; understandings and communications with clients; confidentiality.
PS-2	Valuation Services: When valuing a business, business ownership interest, security or intangible asset, a member may express either a conclusion of value or calculated value. Valuation services are: valuation engagement; and calculation engagement.
PS-3	Development Standards: A member shall comply with these Development Standards when expressing a conclusion of value or calculated value.
PS-4	Reporting Standards: A member shall comply with these Reporting Standards when expressing a conclusion of value or calculated value.
PS-5	Other Guidelines and Requirements: Besides NACVA's professional standards, members may also find it necessary to consider guidelines and/or other requirements established by other organizations or authorities, such as: department of labor; internal revenue service; rules of the applicable courts; and federal and state laws.

Note. Source: NACVA (2007).

The CICBV, founded in 1971, is a sister organization to the Canadian Institute of Chartered Accountants [CICA]. The standards of CICBV are tailored to the Canadian Securities Industry and to valuation in Canadian commerce (Hitchner, 2003). The CICBV business valuation standards include twelve standards on: valuation reporting; scope of work; file documentation; advisory and expert report disclosures; and limited critique reports. The standards differentiate among a valuation report, an advisory report, an expert report and an limited critique report, and provide the criteria for each (Hitchner, 2003). Table 5 illustrates the CICBV practice standards.

Table 5

CICBV Practice Standards

Standard	Subject
S-110	Valuation Report Standards and Recommendations: There are three types of valuation reports—Comprehensive Valuation Report; Estimate Valuation Report; and Calculation Valuation Report. The type of valuation report required is a matter to be discussed and agreed on by the valuator and the client, and then reflected in the terms of engagement.
S-120	Valuation Reports—Scope of Work Standards and Recommendations.
S-130	Valuation Reports—File Documentation Standards and Recommendations.
S-210	Advisory Reports—Report Disclosure Standards and Recommendations: Where the valuator is engaged to provide an independent Comprehensive Report, Estimate Report or Calculation Report of value, the applicable standards for Valuation Reports (Standard 110) shall be followed, but where the expert is engaged to provide an independent Expert Report of financial gain or loss, the applicable standards for Expert Reports (Standard 310) shall be followed.
S-220	Advisory Reports—Scope of Work Standards and Recommendations.
S-230	Advisory Reports—File Documentation Standards and Recommendations.
S-310	Expert Reports—Report Disclosure Standards and Recommendations: Where a Valuation Report forms part of an Expert Report that Valuation Report shall conform to Standards 110, 120, and 130.
S-320	Expert Reports—Scope of Work Standards and Recommendations.
S-330	Expert Reports—File Documentation Standards and Recommendations.
S-410	Limited Critique Reports—Reporting Standards and Recommendations.
S-420	Limited Critique Reports—Scope of Work Standards and Recommendations.
S-430	Limited Critique Reports—File Documentation Standards and Recommendations.

Note. Source: CICBV (2009).

Furthermore, the CICBV (2009) defined several basic concepts in the valuation process, such as:

> (1) Valuation Report: "as any written communication containing a conclusion as to the value of shares, assets or an interest in a business, prepared by a Valuator acting independently".
>
> (2) Advisory Report: "as any written communication containing a conclusion as to the value of shares, assets, an interest in a business or as to the quantification of financial gain/loss (economic losses, loss of income/profits) prepared by a Valuator/Expert who has not been engaged to act independently".
>
> (3) Expert Report: "as any written communication other than a Valuation Report, containing a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute, prepared by an Expert acting independently".
>
> (4) Limited Critique Report: "as any written communication containing comments on a report that was prepared by a Member or non-Member containing a conclusion as to the value of shares, assets or an interest in a business, or a conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or a dispute (the 'Original Report'), prepared by a Valuator (the 'Reviewer') that does not itself contain a valuation conclusion or conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or dispute". (p. 1)

The IVSC valuation standards contain an introductory section dealing with general valuation concepts and principles followed by four specific IVS. The primary purpose of the IVS is to uniform the valuation standards across country borders by establishing a superset of rules that are applicable in all countries and which increase the transparency for international investors (Spies & Wilhelm, 2005). Thus, the IVS rules have a broader character compared to domestic standards, like the USPAP, to take care of differing laws between countries that are similar to the IFRS concept; it is the undertaking of the domestic standard setting bodies to adopt these general standards (Edge, 2001; Dorchester Jr. & Vella, 2000). Table 6 shows the business valuation standards of the IVSC.

Table 6

IVSC Business Valuation Standards

Standard	Subject
IVS-1	Market value basis of valuation: Provides the standard definition of market value together with detailed explanations of the various elements of the definition. This definition has now been adopted by the RICS in their Appraisal and Valuation Manual, and by TEGoVA in the European Property Valuation Standards.
IVS-2	Valuation bases other than market value: Sets out a number of alternative bases of value other than market value and distinguishes them from market value.
IVS-3	Valuations for financial statements and related accounts: Provides guidance for valuers preparing valuations for use in financial statements and related accounts.
IVS-4	Valuations for loan security, mortgages and debentures: Applicable when the objective of the valuation relates to loans, mortgages or debentures. For this purpose the basis of valuation is normally market value, but in the definition the word “property” is substituted for the word “asset”.

Note. Source: Mackmin (1999, p. 359).

In resume, the structure of valuation standards analyzed before is summarized in Table 7. In particular, the technical bulletins and the practice statements items do not are mentioned by any of the valuation agencies referred.

Table 7

Proposed Structure for the International Valuation Standards

Item	RICS	USPAP	IVSC
Introduction	✓	✓	✓
Framework concepts			✓
Standards/rules	✓	✓	✓
Basis for conclusions			
Interpretations		✓	✓
Implementation guidance	✓		✓
Glossary/definitions	✓	✓	✓
Application guidance		✓	✓
Technical bulletins			
Practice statements			
Code of conduct		✓	✓

Note. Source: IVSC (2007).

Conclusions

This paper focuses on the potential of international valuation standards in order to assist financial analysts and accountants to implement the accounting system. In the view of the authors, the diversity of valuation agencies and greater emphasis in the requirements of the valuation process show high degree of transparency in the reporting and disclosure process, but different market, economic, social, legal, cultural, and accounting reality does not ensure rigorous assessment criteria.

Indeed, valuation standards reduce difficulties of concepts and improve interpretations, readability and understandability of the valuation and financial reports. At the same time, they should provide a clear guidance on the valuation process including a wide range of business and large variety of others valuations. These standards eliminate the speculative element, but it must be carried consistently and carefully by the valuer, and always taking into account multitudinous aspects that may affect the business value.

Also, the increase awareness to the valuation methods, standards and procedures, and the role, ethics and professional behavior of the valuer, is designed to establish the needs of the valuation client. In this context, the business valuation standards provide consistence and comparability, in time and in space, to the valuation despite the fragile information system.

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