

Excerpt from

How to Write Bulletproof Valuation Reports

Tips From the Experts

How to Write Bulletproof Valuation Reports: Tips From the Experts



What It's Worth

1000 SW Broadway, Suite 1200, Portland, OR 97205

(503) 291-7963 • www.bvresources.com

*Special thanks to Jim Alerding, CPA/ABV, ASA, and
Mark Hanson, CPA, CVA, ABV, for their expert guidance
and contributions to this special report.*



What It's Worth

Copyright © 2015 by Business Valuation Resources, LLC (BVR). All rights reserved.
Printed in the United States of America.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher or authorization through payment of the appropriate per copy fee to the Publisher. Requests for permission should be addressed to the Permissions Department, Business Valuation Resources, LLC, 1000 SW Broadway St., Suite 1200, Portland, OR 97205, (503) 291-7963, fax (503) 291-7955.

Information contained in this book has been obtained by Business Valuation Resources from sources believed to be reliable. However, neither Business Valuation Resources nor its authors guarantee the accuracy or completeness of any information published herein and neither Business Valuation Resources nor its authors shall be responsible for any errors, omissions, or damages arising out of use of this information. This work is published with the understanding that Business Valuation Resources and its authors are supplying information but are not attempting to render business valuation or other professional services. If such services are required, the assistance of an appropriate professional should be sought.

Editor: Jan Davis

Publisher: Sarah Andersen

Managing Editor: Janice Prescott

Chair and CEO: David Foster

President: Lucretia Lyons

Vice President of Sales: Lexie Gross

Customer Service Manager: Retta Dodge

ISBN: 978-1-62150-053-7

Library of Congress Control Number: 2015940050

Table of Contents

INTRODUCTION	5
SECTION I: COMPLIANCE, STANDARDS, AND CALCULATION REPORTS	6
1. APPRAISALS (USPAP), VALUATIONS (SSVS NO. 1), AND CALCULATIONS IN LITIGATION. . .	7
2. DON'T BE AFRAID OF CALCULATION REPORTS	14
3. RECENT CASE POINTS TO CONFUSION OVER CALCULATION REPORTS UNDER THE SSVS.	16
<i>By Jim Alerding, CPA/ABV, ASA</i>	
4. BUSINESS VALUATION REPORTS IN LITIGATION MATTERS	20
SECTION II: REPORT WRITING FORMAT, STYLE, AND TIPS	27
5. STEP UP YOUR GAME: EFFECTIVE BUSINESS APPRAISAL REPORTING.	28
6. ERROR-PROOFING BUSINESS APPRAISAL REPORTS	48
7. SEVEN CASES TO READ BEFORE WRITING YOUR NEXT VALUATION REPORT	62
8. ANATOMY OF AN INFLATED VALUATION REPORT	66
<i>By Stuart Weiss, CPA/ABV</i>	
9. TOP 10 TIPS FOR BEST REPORT WRITING AND STANDARDS COMPLIANCE	69
10. ON WRITING WELL: A BUSINESS APPRAISER'S POINT OF VIEW	72
<i>By Warren Miller, CFA, ASA, CMA, CPA</i>	
11. KEEP AN EYE ON ETHICS IN REPORT WRITING AND OTHER CONDUCT	84
12. NINE WAYS TO IMPROVE YOUR BV REPORT WRITING	86
<i>By Rod Burkert, MBA, CPA/ABV, CVA, ASA</i>	
13. LOOK ONLINE FOR WRITING IMPROVEMENT TOOLS	89

SECTION III: CASES	91
COURT CASE SUMMARY TABLE	92
COURT CASES	93
<i>A.C. v. J.O.</i>	93
<i>Estate of Lewis A. Bailey v. CIR.</i>	96
<i>Louise B. Barnes, et al. v. CIR.</i>	98
<i>Estate of Berg v. Commissioner</i>	100
<i>In re Marriage of Cantarella.</i>	101
<i>Estate of Gallagher v. Commissioner</i>	103
<i>In re Marriage of Hagar</i>	104
<i>Kohler et al. v. Commissioner of Internal Revenue</i>	105
<i>Herbert V. Kohler, Jr. v. CIR</i>	109
<i>Estate of Renier v. Commissioner</i>	111
<i>Surgem, LLC v. Seitz.</i>	114
<i>Estate of True v. Commissioner.</i>	116
<i>Wood v. Wood.</i>	117
SECTION IV: APPENDIX	120
SOURCES OF SAMPLE BUSINESS VALUATION REPORTS	121

Introduction

How to write a business valuation report may seem an unlikely subject. However, several current trends reflect confusion in this area and make it surprisingly relevant. Should an appraiser ever write a calculation report? If so, when is it appropriate? How can appraisers write reports that are cost-effective and timely while still exercising proper due diligence? Appraisers know they need to comply with the professional standards their designation mandates, but how often do they review the applicable standards?

How to Write Bulletproof Valuation Reports: Tips From the Experts brings business appraisers up to date on the current thinking and best practices involved in report writing. This study is divided into four distinct sections:

- Calculation reports;
- Style and tips and report writing formats;
- Case digests; and
- An appendix that lists additional resources, such as where to find sample reports.

The chapters found in these sections address current questions appraisers have, such as: Should an appraiser use a calculation report in a litigated setting? How can appraisers write credible and effective valuation reports that are user friendly? What are the unique requirements for preparing and submitting written and oral testimony for litigation and deposition? Can a calculation report serve as an opinion of value? What are the differences in report writing standards, and do I need to comply with more than one set of standards?

I encourage appraisers to read this special report. It is easy to get caught up in report writing habits and to think we know exactly what the standards say. Refresh your thinking and practices with the knowledge these experts are sharing.



Mark Hanson, CPA, CVA, ABV
Shareholder, Schenck SC



Where every trustworthy business valuation begins.

Any informed stakeholder in business valuation, performance benchmarking, or risk management turns to Business Valuation Resources (BVR) for authoritative market data, training, and expert opinion. Trust BVR for unimpeachable business valuation intelligence. Our clients include business appraisers, certified public accountants, merger and acquisition professionals, business brokers, lawyers and judges, private equity and venture capitalists, owners, CFOs, and many others. BVR's market databases and analysis have won in the courtroom—and the boardroom—for 18+ years.

Deal & Market Data:

- Pratt's Stats®
- Public Stats™
- BIZCOMPS®
- Economic Outlook Update™
- Factset Mergerstat/BVR Control Premium Study™
- The FMV Restricted Stock Study™
- Valuation Advisors Discount for Lack of Marketability Study™
- ktMINE Royalty Rate Data & License Agreements
- First Research Industry & State Profiles
- Butler Pinkerton Calculator™ Total Cost of Equity and Public Company Specific Risk Calculator™
- Mergerstat® Review & Mergerstat Review Monthly
- Risk Premium Calculator
- Valuation Handbook - Guide to Cost of Capital
- BizMiner Industry Financial Reports
- PitchBook Guideline Public Company Comps Tool

News & Research:

- Business Valuation Update™
- BVLaw™
- Business Reference Guide Online

Training & CPE:

- Webinars
- Web Workshops & Symposia
- Desktop Learning Centers
- Self-study CPE

Guides, Books & Reports:

- Guides & Books
- Special Reports
- Legal Compendiums

Learn more at: bvresources.com