

**CHARTERED VALUER AND APPRAISER PROGRAMME
BODY OF KNOWLEDGE**

Level 1

Module 1: Introductory Business Valuation

1. Code of Ethical Principles for Professional Valuers by the International Valuation Standards Council (IVSC)
2. Valuation standards
 - 2.1. International valuation standards
 - 2.2. Valuation related financial reporting standards
3. Concept of value
 - 3.1. Risk and Return
4. Valuation terminologies
 - 4.1. Commonly used valuation terms
 - 4.2. International glossary of business valuation terms
5. Standard and premise of value
 - 5.1. Various definitions of value
 - 5.1.1. Intrinsic value
 - 5.1.2. Fair market value
 - 5.1.3. Fair value (statute and financial reporting standards)
 - 5.1.4. Investment value
 - 5.1.5. Value in use
 - 5.1.6. Net realizable value
 - 5.1.7. Net asset value / Adjusted net asset value
 - 5.1.8. Market value etc
 - 5.2. Various premises of value
 - 5.2.1. Going concern value
 - 5.2.2. Liquidation value (orderly realization, forced liquidation)
6. Valuation context
 - 6.1. Role of business valuation
 - 6.2. Why are we valuing
 - 6.3. What are we valuing
 - 6.4. How do we value
 - 6.5. For whom do we value
 - 6.6. The role of valuation in practice
7. Valuation principles
 - 7.1. Specific point in time

- 7.2. Prospective in nature
- 7.3. Market dictates return
- 7.4. Influenced by liquidity etc
- 8. Valuation process
 - 8.1. Define the scope of work
 - 8.2. Understand the business / industry
 - 8.3. Information requirements and availability
 - 8.4. Select the valuation approach / methodology
 - 8.5. Determine valuation parameters
 - 8.6. Review results and conduct sensitivity analysis
- 9. Valuation report contents
 - 9.1. Sections of the report
 - 9.2. Appendices
- 10. Information collection and analysis (qualitative and quantitative)
 - 10.1. Types and sources of information
 - 10.2. Site visits and management interviews
 - 10.3. Researching of information
 - 10.4. Analysis of information
- 11. Best practices in preparing prospective financial information
 - 11.1. Build a sensible, reasonable and unbiased financial statement model in Excel
 - 11.2. Understand the role of valuer in financial forecasting
 - 11.3. Identify and incorporate the important sources of information for forecasting
 - 11.4. Identify and determine the key value drivers for forecasting
 - 11.5. Factors to consider in making appropriate assumptions in forecasting
 - 11.6. Organise and model assumptions and test assumptions
 - 11.7. Deal with uncertainty in forecasts, data and data availability

Module 2: Law and Valuation

- 1. The legal framework and system for conducting business
 - 1.1. Importance and the basis of the Law
 - 1.2. The court system and alternative dispute resolution mechanisms
 - 1.3. Overview of the judicial, arbitration and mediation process
- 2. Various forms of business entities being valued
 - 2.1. Sole proprietorship
 - 2.2. Partnership
 - 2.3. Joint venture
 - 2.4. Corporations
 - 2.5. Business trusts
 - 2.6. Others
- 3. Valuation related matters in litigation and arbitration
 - 3.1. Contract disputes
 - 3.2. Commercial torts
 - 3.3. Business interruption claims
 - 3.4. Securities litigation
 - 3.5. Tax related litigation
 - 3.6. Insolvency/reorganisation situations

- 3.7. Intellectual property rights infringement
- 3.8. Others
- 4. Valuer's involvement in litigation and arbitration proceedings
 - 4.1. Valuer engagement process
 - 4.1.1. Credentials and qualifications
 - 4.1.2. Conflicts of interest
 - 4.1.3. Engagement agreement
 - 4.2. Professional liability
 - 4.2.1. Liability in contract
 - 4.2.2. Liability in tort
 - 4.2.3. Tort of negligent misrepresentation
 - 4.2.4. Fiduciary duty
 - 4.3. Role of a valuer in litigation and arbitration proceedings
 - 4.3.1. Duties and responsibilities of the valuer
 - 4.3.2. Discovery process
 - 4.3.3. Preparing and serving an expert report
 - 4.3.4. Examination-in-chief, cross-examination and re-examination
 - 4.3.5. Role of critiquing
- 5. Assessment of damages
- 6. Common pitfalls and useful hints for the expert
- 7. Court decisions on valuation matters
 - 7.1. Learning points from court cases relating to valuation
 - 7.2. Implications for valuer

Level 2

Module 3: Valuation for Transactions

- 1. Valuation for transactions
 - 1.1. International valuation standards
 - 1.2. Understand the securities and exchange regulations on valuation
 - 1.3. Understand the IPEV standards
 - 1.4. Defining fair market value for transaction valuations
 - 1.5. Open market transactions vs notional market valuations
 - 1.6. Share market valuations vs corporate valuation
 - 1.7. Business enterprise value vs equity value
- 2. Valuation approaches and methods
 - 2.1. Market approach
 - 2.1.1. Understand the market approach
 - 2.1.2. When to use market approach
 - 2.1.3. Application of comparable guideline company method
 - 2.1.4. Application of comparable transactions method
 - 2.1.5. Issues to consider when using market approach
 - 2.2. Income approach
 - 2.2.1. Understand the income approach
 - 2.2.2. When to use the income approach

- 2.2.3. Application of discounted cash flow method
- 2.2.4. Issues to consider when using income approach
- 2.3. Asset based approach
 - 2.3.1. Understand the asset based approach
 - 2.3.2. When to use asset based approach
 - 2.3.3. Determine tangible asset backing
 - 2.3.4. Determine adjusted net asset value
 - 2.3.5. Determine Liquidation value (orderly and forced liquidation basis)
 - 2.3.6. Issues to consider when using asset based approach
- 3. Valuation parameters
 - 3.1. Comparable companies selection
 - 3.2. Understand and evaluate different sources of data and its reliability
 - 3.3. Determine common valuation multiples used in practice
 - 3.3.1. Enterprise value multiples
 - 3.3.2. Equity value multiples
 - 3.4. Determine discount rates
 - 3.4.1. Approaches to determine cost of equity
 - 3.4.2. Approaches to determine cost of debt
 - 3.4.3. Determine debt/equity mix
 - 3.4.4. Determine weighted average cost of capital (WACC)
 - 3.5. Determine long term growth rate
- 4. Discounts and premium
 - 4.1. Control premium
 - 4.2. Minority interest discount
 - 4.3. Marketability discount
 - 4.4. Portfolio discount
 - 4.5. Blockage discount etc
- 5. Valuation of privately owned entities
 - 5.1. Public vs private shares
 - 5.2. Memorandum and articles of association/shareholders agreements
 - 5.2.1. Implications on value
 - 5.2.2. Implications on liquidity
 - 5.3. Issues to consider when valuing privately owned entities
- 6. VC/PE valuation model

Module 4: Valuation for Financial Reporting

- 1. Valuation for financial reporting
 - 1.1. Valuation related financial reporting standards
 - 1.2. Fair value defined in accordance with financial reporting standards
 - 1.3. Considerations in determining fair value for financial reporting purposes
 - 1.3.1. Fair value hierarchy
 - 1.3.2. Market participants
- 2. Requirement and role of valuer in financial reporting environment
 - 2.1. Requirement of a specialist for financial reporting purposes
 - 2.2. Valuation specialist as part of the audit team

- 2.2.1. Assessing the qualifications of valuation specialist engaged by audit client
 - 2.2.2. Scope, planning, information request, communication and deliverables
 - 2.3. Valuation specialist engaged by audit client to perform valuation
 - 2.3.1. Understand the process in engaging the auditor
 - 2.3.2. Scope, planning, information request, communication and deliverables
- 3. Purchase price allocation (PPA)
 - 3.1. Understand the PPA process
 - 3.2. Identify the acquirer
 - 3.3. Determine acquisition date
 - 3.4. Determine the fair value of acquire
 - 3.5. Measure and recognize at fair value the assets acquired and liabilities assumed
 - 3.6. Identify, recognize and measure fair value of intangible assets
 - 3.7. Determine goodwill
- 4. Impairment testing
 - 4.1. Impairment testing of intangible assets
 - 4.2. Impairment testing of goodwill
- 5. Valuation of intangible assets
 - 5.1. Nature of intangible assets
 - 5.2. Identification and classification of intangible assets
 - 5.2.1. Marketing related
 - 5.2.2. Customer related
 - 5.2.3. Artistic related
 - 5.2.4. Contract based
 - 5.2.5. Technology based
 - 5.3. Measurement of intangible assets
 - 5.3.1. Relief from royalty method
 - 5.3.2. Multi period excess earnings method
 - 5.3.3. Replacement and reproduction cost method

Level 3

Module 5: Applied Business Valuation

- 1. Valuation of entities
 - 1.1. Understanding the structure and the businesses
 - 1.2. Valuation approaches commonly used
 - 1.3. Factors to consider in valuation
- 2. Valuation of stages of companies
 - 2.1. Understanding the key value drivers
 - 2.2. Valuation approaches commonly used
 - 2.3. Factors to consider in valuation
- 3. Valuation of specific assets and industries

- 3.1. Valuation of fixed assets, resource companies, biotechnology and pharmaceutical companies, technology and internet companies, etc
- 3.2. Understanding the industry and the key value drivers of the business
- 3.3. Requirement of specialist technical input
- 3.4. Valuation approaches commonly used
- 3.5. Factors to consider in valuation
4. Valuation in Frontier Markets
 - 4.1. Key characteristics of frontier markets and the challenges
 - 4.2. Valuation approaches commonly used
 - 4.3. Factors to consider in valuation

Module 6: Business Valuation Reporting – A Case Study

1. Role of a valuer
 - 1.1. Skills and competencies of a valuer
 - 1.2. Common situations where valuation services is required
2. Practice standards of a valuer
 - 2.1. Conduct of valuation engagement
 - 2.1.1. Meeting with client
 - 2.1.2. Independence and conflicts of interest checks
 - 2.1.3. Letter of engagement
 - 2.1.4. Research on company and industry
 - 2.1.5. Performing accounting, financial, management and prospective analysis
 - 2.1.6. Draft report and valuation exhibits
 - 2.1.7. Letter of representation
 - 2.1.8. Final report
 - 2.2. Scope of work standards
 - 2.3. Report disclosure standards
 - 2.4. File documentation standards
3. Case study and valuation reporting