



**Fair Value Quality Initiative**  
**Enhancing the Quality of Valuations for Financial Reporting**  
**September 1, 2016**

In response to concerns expressed by the SEC and others, the American Institute of Certified Public Accountants (AICPA), American Society of Appraisers (ASA), and Royal Institution of Chartered Surveyors (RICS) and others are developing a framework to address issues facing the valuation profession. The intent of these efforts is to enhance consistency and transparency in the fair value measurement process for entities and intangible assets for U.S. public company financial reporting purposes.

Key elements of the enhanced valuation framework and infrastructure that governs individuals developing fair value measurements include:

- Establish professional credential qualification;
- Develop and enforce performance requirements (i.e., Mandatory Performance Framework) to insure sufficient valuation procedures are performed and appropriately documented; and
- Enforce quality review and discipline process.

**Release of New Valuation Credential**

As a result of these efforts, a new professional designation “Certified in Entity and Intangible Valuation” (CEIV) will be available to qualified individuals who meet the experience requirements, complete coursework and pass an accreditation exam. The CEIV designation will be available to individuals that already hold a business valuation credential from any of the three designated valuation professional organizations (AICPA, ASA or RICS). The course, exam and experience requirement insure that appraisers that desire to perform valuations for financial reporting for U.S. public companies have the required financial reporting related experience and technical expertise in key areas needed to perform these valuations.

The broad areas covered in the CEIV course and exam include:

- Accounting, Auditing and Valuation Standards;
- Mandatory Performance Framework Requirements; and
- Technical Guidance Specific to Valuations for Financial Reporting.



### **Expanded Technical and Documentation Performance Requirements**

In addition to the credential, other key components of this new program include ongoing quality oversight and compliance with a Mandatory Performance Framework (MPF). The MPF defines “how much” work is necessary to provide supportable and auditable fair value measurements. The MPF also establishes documentation requirements to insure appropriate documentation is included in work files.

### **Continuing Quality Control**

Once individuals obtain the CEIV designation, they are subject to a continuing quality control process. Quality control procedures include:

- Meet periodic CPE requirements;
- Periodic review of fair value for financial reporting work performed; and
- Complaints protocol pertaining to CEIV credential holders.

### **Conclusion**

Unlike other valuations, valuations prepared for financial reporting can impact the financial results of public entities. The significant amount of third-party reliance on these estimates necessitates additional procedures to insure the quality of work performed. The desired results of the Fair Value Quality Initiative are the positive impact on the audit process and increased confidence in the work performed by these credentialed specialists who conduct fair value measurements for entities and intangible assets for U.S. public company financial reporting purposes.