

Is Your Value an Estimate or an Opinion?

By Rod P. Burkert, CPA/ABV, CVA

I recently submitted a valuation report to a client and her attorney. The attorney was concerned because I, following *Statement on Standards for Valuation Services No. 1* (SSVS), wrote: “I estimate the fair market value of” so-and-so to be this-and-that as of the valuation date. The attorney inquired why my report, like another valuation report on his desk, didn’t offer “an opinion of fair market value.” In his mind, an “opinion of value” reads more powerfully than an “estimate of value.” I must confess, it does to me as well.

My client went as far as to say, “I guess I don’t understand the use of the word ‘estimate,’ and it seems to undermine the whole purpose of paying for an opinion of value in the first place.” Note: I never said I was going to issue an opinion of value in my engagement letter. I stated that my estimate of value would be presented as a conclusion of value, per SSVS.

There are now only two sets of U.S. business valuation standards: the ASA’s *Business Valuation Standards* (BVS) and the AICPA’s SSVS, which has been effectively adopted by NACVA and the IBA. (Yes, there is also The Appraisal Foundation’s *Uniform Standards of Professional Appraisal Practice*, and for the record, those standards use the term “opinion.”) Prior to adopting SSVS, the separate NACVA and IBA standards permitted an appraiser to issue an “opinion of value.”

According to SSVS, all of my work product yields an estimate of value. And the irony of this article is that I agree with this presumption. At some level, no matter how much analysis we do, we’re estimating value. Paragraph 2 states: “As described in this Statement, the

term *engagement to estimate value* refers to an engagement or any part of an engagement ... that involves estimating the value of a subject interest. An engagement to estimate value culminates in the expression of either a *conclusion of value or a calculated value...*” (emphasis in the original) The word “opinion” is noticeably—and purposely—absent from SSVS because of the specific connotation it has for my CPA-auditor comrades.¹

Except that it’s not absent from SSVS. Here are the relevant references (emphasis added) to “opinion” in SSVS. In the examples of factors that could be listed in the Representations of the Valuation Analyst:

¶ 65(a). The analyses, *opinions*, and conclusion of value included in the valuation report are subject to the specified assumptions and limiting conditions ... and they are the personal analyses, *opinions*, and conclusion of value of the valuation analyst.

¶ 65(g). The valuation analyst has no obligation to update the report or the *opinion of value* for information that comes to his or her attention after the date of the report.

In the illustrative list of Assumptions and Limiting Conditions set forth in Appendix A:

#6 This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any

¹ The ASA associates the term “estimate” only with its limited appraisal service. I understand that the SSVS usage of the same term is supposed to be equivalent to the result of the highest scope of work specified by the ASA, which is an appraisal.

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Finally, in the *International Glossary of Business Valuation Terms*, included as Appendix B:

Valuation Date—the specific point in time as of which the valuator’s *opinion of value* applies....

Now let’s flip over to read how the ASA BVS outlines an appraisal assignment.²

¶ II. C. 1. b. The objective of an appraisal is to express an *unambiguous opinion* as to the value of a business, business ownership interest, security or intangible asset which opinion is supported by all procedures that the appraiser deems to be relevant to the valuation. (emphasis added)

¶ II. C. 1. c. An appraisal has the following qualities:

- (1) Its conclusion of value is expressed as either a single dollar amount or a range
- (2) It considers all relevant information as of the appraisal date available to the appraiser at the time of performance of the valuation
- (3) The appraiser conducts appropriate procedures to collect and analyze all information expected to be relevant to the valuation
- (4) The valuation considers all conceptual approaches deemed to be relevant by the appraiser

Now, whether it’s a valuation engagement under SSVS or an appraisal under the BVS, I would like to think we all do items (1) through (4) regardless of which standards we use. So can I issue an

² Containing all standards approved through November 2009.

opinion of value under SSVS or not? I asked a colleague who I know was neck-deep in crafting SSVS. He told me that it does not violate SSVS to say “opinion,” but it’s technically not correct.

I talked to other colleagues to see how they were handling this situation. A CPA/ASA said that she goes with the ASA standards, so she says “opinion of value” in her reports. A CPA/ABV/ASA/CVA said his firm follows SSVS, so they say “estimate of value.” A CPA/ASA/CVA offered a novel approach. His engagement letter says he will provide a conclusion of value under SSVS, an opinion of value under BVS, and then “concludes” on the value in his report.

If all of this isn’t confusing enough, let’s look at litigation reports. Now in litigation, SSVS has a Reporting Exemption for Certain Controversy Proceedings:

¶ 50 A valuation performed for a matter before a court, an arbitrator, a mediator or other facilitator, or a matter in a governmental or administrative proceeding, is *exempt from the reporting provisions* of this Statement. The reporting exemption applies whether the matter proceeds to trial or settles. The exemption applies only to the reporting provisions of this Statement.... The developmental provisions of the Statement ... still apply whenever the valuation analyst expresses a conclusion of value or a calculated value.... (emphasis added)

And we all know that, in litigation, we need to offer our opinion for our work product to be accepted by the court. So we SSVSers can offer an opinion in litigation, right? We got the exemption, right? Well not so fast because:

¶ 8 [SSVS] is not applicable to engagements that are exclusively for the purpose of determining economic damages (for example, lost profits) *unless those determinations include an engagement to estimate value.* (emphasis added)

So if your litigation assignment is to value a business interest, you’re back in SSVS-land, where the term “opinion” is not sanctioned. What’s a practitioner to do? In the meantime, those following the ASA BVS can offer their opinions, in and out of litigation, without any heartburn.

So what do you think? Is the discussion I had with my client and attorney an isolated incident or is there really something here that the SSVS needs to address? Is it just a matter of semantics and education: I say “estimate,” you say “opinion,” and in reality they are the same? But wouldn’t it be better if we could all use one term and not have to explain to clients, attorneys, and judges that there is no difference?

Rod Burkert, CPA/ABV, CVA, is the founder of *Burkert Valuation Advisors LLC*. His assignments focus on *income/gift/estate situations, divorce proceedings, partner/shareholder disputes*.