

## Selecting a Qualified Business Appraiser

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In the practice of law, medicine, or accounting one cannot profess expertise without having met rigorous training, testing and experience requirements. Unfortunately, this is not the case with the practice of business valuation. As a result, there are many who perform business appraisals without even the minimal training and experience requisite of an expert. Further, there is no business valuation-specific college degree or course major. And those who have attained professional designations in related disciplines such as real estate appraisal, accounting, economics, financial planning and business brokerage, though having achieved expertise in their respective fields, are not qualified to perform business appraisals based solely on the education and background typical of the professions in which they practice - business valuation is an area of specialized skill requiring specialized training and experience to achieve competence.

There has been a steadily growing demand for business valuation expertise over the past ten years or so due in part to the development of software that allows for the application of more sophisticated valuation

methods. These methods, the use of which were mostly prohibitive before the advent of computers, provide results which are considered by many to be more reliable than some of those used in the past and are becoming the norm in the industry.

Along with this increase in demand there has been a corresponding "raising of the bar" with regard to the competency requirements for business appraisers. For example, admissibility of expert testimony in the past was fairly easy as judges generally concluded that individuals called to testify were qualified to do so. However, this relatively lax environment for rules of evidence was altered in 1993 when the Supreme Court [*Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S., 572, 589 (1993)] made it clear that the court, and thereby attorneys, should qualify those who will be engaged to provide expert testimony.

The Internal Revenue Service has also increased its vigilance of the quality of valuations. The Service expects appraisals to be performed in accordance with The Uniform Standards of Professional Appraisal Practice and Revenue Ruling 59-60 and has entered into an educational

program agreement with the Institute of Business Appraisers to get more of their agents certified in business valuation. IRS officials estimate that currently about 50% of all valuations submitted in conjunction with estate or gift tax returns are reviewed and have given notice that those not performed properly will be challenged.

There are many who stand ready and willing to provide an estimate of value for a fee. They often include business brokers, insurance agents, accountants, financial planners, business intermediaries, business consultants, real estate appraisers, bankers, lawyers, college professors and, perhaps, your client's brother-in-law, who reportedly once lived next door to a business appraiser. However, those who have attained competency in business valuation will usually have earned a professional designation from a reputable professional institution that attests to the person's qualifications. Of these, there are four which are highly regarded in the business valuation industry. They are the CBA (Certified Business Appraiser, from the Institute of Business Appraisers), the

ASA (Accredited Senior Appraiser for business valuation, from the American Society of Appraisers), the CPA/ABV (Accredited for Business Valuation, from the American Institute of Certified Public Accountants), and the CPA/CVA (Certified Valuation Analyst, from the National Association of Certified Valuation Analysts). A professional who holds any one of these designations has demonstrated expertise in the field of business appraisal.

There are business appraisal designations awarded by other organizations as well, though none prescribe the level of training, experience and examination required by the institutions that confer these four. If your client is in need of a valuation by an independent qualified business appraiser, his best bet will be an individual who has earned one of these designations.

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