

USPAP - *Uniform Standards of Professional Appraisal Practice*

According to the standards of the American Society of Appraisers, the objective of a complete appraisal is to express an unambiguous opinion as to the value of a business, business ownership interest, or security, which opinion is supported by all procedures that the appraiser deems to be relevant to the valuation. A complete appraisal has the following qualities: (1) Its conclusion of value is expressed as a single dollar amount or as 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.¹

The *Uniform Standards of Professional Appraisal Practice*, USPAP, is promulgated by the Appraisal Foundation, which is authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications. The current version was published and became effective on January 1, 2008.

Business Appraisal Development

The analysis of *the Business* necessary to develop an opinion of value usually includes analysis of financial statements, interviews of management, research of relevant economic and industry factors, determination of how similar companies perform, preparation of a forecast of future sales and earnings, collection of data on the business sale transactions of similar privately held businesses, analysis of the relative risk of investment, analysis of the impact on value for lack of marketability, and analysis of such other factors which are relevant to the value of the Subject Interest. An independent analyst usually visits the business site and conducts interviews with the current management. The interview typically includes a narrative of the history, services, markets, facilities, equipment and personnel of the company.

USPAP standards Rule 9-4 requires, "In developing an appraisal of an interest in a business enterprise or intangible asset an appraiser must collect and analyze all information necessary for credible assignment results." The Standard further lists the following elements as those necessary for a credible appraisal:

1. The nature and history of the business enterprise or intangible asset;
2. Financial and economic conditions affecting the business enterprise or intangible asset, its industry, and the general economy;

¹ American Society of Appraisers, *ASA Business Valuation Standards*, (Herndon: ASA, July 2008).

3. Past results, current operations and future prospects of the business enterprise;
4. Past sales of capital stock or other ownership interest in the business or intangible asset being appraised;
5. Sales of capital stock or other ownership interest in similar business enterprises;
6. Prices, terms, and conditions affecting past sales of similar ownership interests in the asset being appraised or a similar asset; and
7. Economic benefit of tangible and intangible assets.

USPAP Standard Rule 10-2 states that written appraisal reports may be in the form of an Appraisal Report or a Restricted Use Appraisal Report.

Appraisal Report

According to the Uniform Standards of Professional Appraisal Practice an Appraisal Report is intended to provide information which would be meaningful not only to the addressee or client, but also to other outside parties, regarding how complete or relevant the report is for its intended use.

Restricted Use Appraisal Report

According to the Uniform Standards of Professional Appraisal Practice a Restricted Use Appraisal Report is intended to provide information which would be meaningful only to the addressee or client, with inside information regarding the workings of the business, regarding how complete or relevant the report is for its intended use. The Restricted Use Appraisal Report is for client use only, and the appraiser's opinions and conclusions may not be understood properly without additional information in the appraiser's workfile.