

Accredited Business Appraisal Review (“ABAR”) Conceptual Framework:

A basic ABAR premise, reflected in the ABAR opinion language, holds the appraiser accountable via a review methodology that asks the following two questions of an appraisal under review:

- 1) Were the appraisal assignment goals and objectives clearly defined?
- 2) Were generally accepted methodologies used to reach a relevant opinion of value?

The ABAR conceptual framework consists of four elements:

- Credibility
- Reviewer's Informed Judgment
- General Acceptability
- Sufficient Relevant Information

Credibility

The ABAR Concept of Credibility is grounded on consideration and inclusion of all known facts and circumstances (the good, the bad and the ugly ones) in the Business valuation report. "Credibility" can be defined by seven basic processes, applied throughout an assignment:

Relevance- refers to the specific relationship of an appraiser's analytical nexus to a particular business appraisal standard, method or procedure forming a supportive and probative basis of the opinion of value offered by the appraiser.

Reliability - requires that the business appraisal review procedures performed by Reviewer allow for replication of the original results obtained by the Reviewer and that the methods used by the appraiser were determined to be reliably applied

General Acceptability of Chosen Methodologies- are those approaches, related methodologies and procedures there under, which have been peer reviewed, exposed to publication, which can be reasonably expected to be used by appraisers regularly conducting engagements under similar facts and circumstances.

Transparency - refers to the inclusion and assessment of facts and circumstances known to the appraiser about the appraisal process without limitation.

Adequate Disclosures - refers to the requirement that the appraisal process must present information not only of all known facts and circumstances about the appraisal process undertaken, but it must also include sufficient, informative, and relevant disclosures to allow stakeholders in the appraisal process to understand the foundation of the appraiser's opinion.

Non advocacy- Non-advocacy v. Advocacy, requires that an appraiser maintains a high level of objectivity in the formulation of his/her own independent expert opinion

throughout all aspects of the appraisal process undertaken. These requirements apply equally to the Reviewer and the review process undertaken.

Completeness - requires that the sufficiency of the data, assumptions and explanations presented in the appraisal report are described in enough detail to allow a user to duplicate the results obtained by the appraiser in forming a basis for the opinion proffered by the appraiser.

Furthermore, in assessing credibility, a reviewer's opinion about the quality of an appraiser's work product must also encompass the adequacy, appropriateness, and reasonableness of the work under review, developed within the context of generally accepted appraisal practices, normally relied upon by business appraisers in the United States of America, as of the date of the appraisal report.

Informed judgment- Appraisers and Reviewers

The application of informed judgment applies to the review process as well as the appraisal process undertaken by an appraiser . In developing his/her business appraisal review procedures, and subsequently assessing the resulting foundational conclusions, a Reviewer should consider the development and application of his/her informed judgment, as well as that of the Appraiser' s, along the following guidelines:

- As an aggregate result(s) of risk assessments, valuation conclusions, summations, and approximations resulting from the appraisal process undertaken by the appraiser
- Premised upon the appraiser's application of common sense and reasonableness
- In light of differing interpretations of known or knowable facts
- Utilizing generally accepted valuation approaches and methodologies
- Applied to the determination of value

In doing so, a reviewer should carefully assess inherently subjective valuation issues. In most instances, the defining difference between a subjective appraisal conclusion lacking in foundation, and an appraiser's application of informed judgment, is the presence of a well-0defined analytical process allowing a stakeholder to understand the appraiser's thought process.

General acceptability

In pursuit of an understanding of which generally accepted appraisal practices and procedures are relevant to a reviewer, the next logical step is to attempt to define the very term "generally accepted appraisal practices and procedures."

General acceptability refers to those approaches, related methodologies and procedures which have been peer reviewed, exposed to publication, and which can reasonably be expected to be

used by appraisers regularly when conducting engagements under similar facts and circumstances. Within the context of the definition of Credibility, general acceptability is also an important factor in a reviewer's assessment of credibility.

When assessing general acceptability, a reviewer may be guided by the following sources of generally accepted appraisal practices and procedures, as deemed appropriate given the facts and circumstances under consideration, and the application of a reviewer's informed judgment:

- 1) Revenue Ruling 59-60
- 2) Professional Standards promulgated by accrediting organizations
- 3) Uniform Standards of Professional Appraisal Practice (USPAP)
- 4) Published Treatises which have been generally embraced by valuation practitioners

A Reviewer should take notice that any departures from relevant professional standards must be justified and adequately explained in the business appraisal report, according to the respective applicable requirements. Note that in many instances there are reporting requirements on how to deal with a particular departure.

Sufficient Relevant Information

As you assess those elements in the appraiser's report impacting on the ABAR credibility criteria, you will need to make informed judgment decisions as to the sufficiency of those elements most meaningful to stakeholders in the appraisal process. Once you have met the "Completeness" requirement, you should consider whether additional elements of the same nature require a similar degree of analysis and review depth.