SINGAPORE ACCOUNTANCY COMMISSION | Institute of Valuers and Appraisers, Singapore

CHARTERED VALUER AND APPRAISER PROGRAMME
BODY OF KNOWLEDGE

Level 1

Module 1: Introductory Business Valuation

1. Code of Ethical Principles for Professional Valuers by the International Valuation Standards Council (IVSC)
2. Valuation standards
    - 2.1. International valuation standards
    - 2.2. Valuation related financial reporting standards
3. Concept of value
    - 3.1. Risk and Return
4. Valuation terminologies
    - 4.1. Commonly used valuation terms
    - 4.2. International glossary of business valuation terms
5. Standard and premise of value
    - 5.1. Various definitions of value
        - 5.1.1. Intrinsic value
        - 5.1.2. Fair market value
        - 5.1.3. Fair value (statute and financial reporting standards)
        - 5.1.4. Investment value
        - 5.1.5. Value in use
        - 5.1.6. Net realizable value
        - 5.1.7. Net asset value / Adjusted net asset value
        - 5.1.8. Market value etc
    - 5.2. Various premises of value
        - 5.2.1. Going concern value
        - 5.2.2. Liquidation value (orderly realization, forced liquidation)
6. Valuation context
    - 6.1. Role of business valuation
    - 6.2. Why are we valuing
    - 6.3. What are we valuing
    - 6.4. How do we value
    - 6.5. For whom do we value
    - 6.6. The role of valuation in practice
7. Valuation principles
    - 7.1. Specific point in time

7.2. Prospective in nature
7.3. Market dictates return
7.4. Influenced by liquidity etc

8. Valuation process
    8.1. Define the scope of work
    8.2. Understand the business / industry
    8.3. Information requirements and availability
    8.4. Select the valuation approach / methodology
    8.5. Determine valuation parameters
    8.6. Review results and conduct sensitivity analysis
9. Valuation report contents
    9.1. Sections of the report
    9.2. Appendices
10. Information collection and analysis (qualitative and quantitative)
    10.1. Types and sources of information
    10.2. Site visits and management interviews
    10.3. Researching of information
    10.4. Analysis of information
11. Best practices in preparing prospective financial information
    11.1. Build a sensible, reasonable and unbiased financial statement model in Excel
    11.2. Understand the role of valuer in financial forecasting
    11.3. Identify and incorporate the important sources of information for forecasting
    11.4. Identify and determine the key value drivers for forecasting
    11.5. Factors to consider in making appropriate assumptions in forecasting
    11.6. Organise and model assumptions and test assumptions
    11.7. Deal with uncertainty in forecasts, data and data availability

Module 2: Law and Valuation

1. The legal framework and system for conducting business
    1.1. Importance and the basis of the Law
    1.2. The court system and alternative dispute resolution mechanisms
    1.3. Overview of the judicial, arbitration and mediation process
2. Various forms of business entities being valued
    2.1. Sole proprietorship
    2.2. Partnership
    2.3. Joint venture
    2.4. Corporations
    2.5. Business trusts
    2.6. Others
3. Valuation related matters in litigation and arbitration
    3.1. Contract disputes
    3.2. Commercial torts
    3.3. Business interruption claims
    3.4. Securities litigation
    3.5. Tax related litigation
    3.6. Insolvency/reorganisation situations

3.7. Intellectual property rights infringement
3.8. Others
4. Valuer’s involvement in litigation and arbitration proceedings
    4.1. Valuer engagement process
        4.1.1. Credentials and qualifications
        4.1.2. Conflicts of interest
        4.1.3. Engagement agreement
    4.2. Professional liability
        4.2.1. Liability in contract
        4.2.2. Liability in tort
        4.2.3. Tort of negligent misrepresentation
        4.2.4. Fiduciary duty
    4.3. Role of a valuer in litigation and arbitration proceedings
        4.3.1. Duties and responsibilities of the valuer
        4.3.2. Discovery process
        4.3.3. Preparing and serving an expert report
        4.3.4. Examination-in-chief, cross-examination and re-examination
        4.3.5. Role of critiquing
5. Assessment of damages
6. Common pitfalls and useful hints for the expert
7. Court decisions on valuation matters
    7.1. Learning points from court cases relating to valuation
    7.2. Implications for valuer

<u>Level 2</u>

Module 3: Valuation for Transactions

1. Valuation for transactions
    1.1. International valuation standards
    1.2. Understand the securities and exchange regulations on valuation
    1.3. Understand the IPEV standards
    1.4. Defining fair market value for transaction valuations
    1.5. Open market transactions vs notional market valuations
    1.6. Share market valuations vs corporate valuation
    1.7. Business enterprise value vs equity value
2. Valuation approaches and methods
    2.1. Market approach
        2.1.1. Understand the market approach
        2.1.2. When to use market approach
        2.1.3. Application of comparable guideline company method
        2.1.4. Application of comparable transactions method
        2.1.5. Issues to consider when using market approach
    2.2. Income approach
        2.2.1. Understand the income approach
        2.2.2. When to use the income approach

        - 2.2.3. Application of discounted cash flow method
        - 2.2.4. Issues to consider when using income approach
    - 2.3. Asset based approach
        - 2.3.1. Understand the asset based approach
        - 2.3.2. When to use asset based approach
        - 2.3.3. Determine tangible asset backing
        - 2.3.4. Determine adjusted net asset value
        - 2.3.5. Determine Liquidation value (orderly and forced liquidation basis)
        - 2.3.6. Issues to consider when using asset based approach
- 3. Valuation parameters
    - 3.1. Comparable companies selection
    - 3.2. Understand and evaluate different sources of data and its reliability
    - 3.3. Determine common valuation multiples used in practice
        - 3.3.1. Enterprise value multiples
        - 3.3.2. Equity value multiples
    - 3.4. Determine discount rates
        - 3.4.1. Approaches to determine cost of equity
        - 3.4.2. Approaches to determine cost of debt
        - 3.4.3. Determine debt/equity mix
        - 3.4.4. Determine weighted average cost of capital (WACC)
    - 3.5. Determine long term growth rate
- 4. Discounts and premium
    - 4.1. Control premium
    - 4.2. Minority interest discount
    - 4.3. Marketability discount
    - 4.4. Portfolio discount
    - 4.5. Blockage discount etc
- 5. Valuation of privately owned entities
    - 5.1. Public vs private shares
    - 5.2. Memorandum and articles of association/shareholders agreements
        - 5.2.1. Implications on value
        - 5.2.2. Implications on liquidity
    - 5.3. Issues to consider when valuing privately owned entities
- 6. VC/PE valuation model

Module 4: Valuation for Financial Reporting

- 1. Valuation for financial reporting
    - 1.1. Valuation related financial reporting standards
    - 1.2. Fair value defined in accordance with financial reporting standards
    - 1.3. Considerations in determining fair value for financial reporting purposes
        - 1.3.1. Fair value hierarchy
        - 1.3.2. Market participants
- 2. Requirement and role of valuer in financial reporting environment
    - 2.1. Requirement of a specialist for financial reporting purposes
    - 2.2. Valuation specialist as part of the audit team

        2.2.1. Assessing the qualifications of valuation specialist engaged by audit client
        2.2.2. Scope, planning, information request, communication and deliverables
    2.3. Valuation specialist engaged by audit client to perform valuation
        2.3.1. Understand the process in engaging the auditor
        2.3.2. Scope, planning, information request, communication and deliverables
3. Purchase price allocation (PPA)
    3.1. Understand the PPA process
    3.2. Identify the acquirer
    3.3. Determine acquisition date
    3.4. Determine the fair value of acquire
    3.5. Measure and recognize at fair value the assets acquired and liabilities assumed
    3.6. Identify, recognize and measure fair value of intangible assets
    3.7. Determine goodwill
4. Impairment testing
    4.1. Impairment testing of intangible assets
    4.2. Impairment testing of goodwill
5. Valuation of intangible assets
    5.1. Nature of intangible assets
    5.2. Identification and classification of intangible assets
        5.2.1. Marketing related
        5.2.2. Customer related
        5.2.3. Artistic related
        5.2.4. Contract based
        5.2.5. Technology based
    5.3. Measurement of intangible assets
        5.3.1. Relief from royalty method
        5.3.2. Multi period excess earnings method
        5.3.3. Replacement and reproduction cost method

Level 3

Module 5: Applied Business Valuation

1. Valuation of entities
    1.1. Understanding the structure and the businesses
    1.2. Valuation approaches commonly used
    1.3. Factors to consider in valuation
2. Valuation of stages of companies
    2.1. Understanding the key value drivers
    2.2. Valuation approaches commonly used
    2.3. Factors to consider in valuation
3. Valuation of specific assets and industries

3.1. Valuation of fixed assets, resource companies, biotechnology and pharmaceutical companies, technology and internet companies, etc
3.2. Understanding the industry and the key value drivers of the business
3.3. Requirement of specialist technical input
3.4. Valuation approaches commonly used
3.5. Factors to consider in valuation
4. Valuation in Frontier Markets
4.1. Key characteristics of frontier markets and the challenges
4.2. Valuation approaches commonly used
4.3. Factors to consider in valuation

Module 6: Business Valuation Reporting – A Case Study

1. Role of a valuer
   1.1. Skills and competencies of a valuer
   1.2. Common situations where valuation services is required
2. Practice standards of a valuer
   2.1. Conduct of valuation engagement
      2.1.1. Meeting with client
      2.1.2. Independence and conflicts of interest checks
      2.1.3. Letter of engagement
      2.1.4. Research on company and industry
      2.1.5. Performing accounting, financial, management and prospective analysis
      2.1.6. Draft report and valuation exhibits
      2.1.7. Letter of representation
      2.1.8. Final report
   2.2. Scope of work standards
   2.3. Report disclosure standards
   2.4. File documentation standards
3. Case study and valuation reporting