

Jim Hitchner's
Valuation Products and Services

DO YOU KNOW?

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A free periodical to promote education and alert you to important areas of interest in the financial valuation, fraud, and litigation services profession.

Do you know...

... what CAARR means when preparing a business valuation review analysis and report?

We use many acronyms in business valuation -- DCF, CAPM, DLOM, COC, among others. One important acronym that may be less familiar but is vital to producing a quality report is CAARR, which is referenced in both the USPAP and the NACVA standards. (Note: Valuation analysts who are not required to follow USPAP or NACVA standards can still choose to follow them.)

First and foremost, what is the USPAP and NACVA CAARR? The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP) has "Standard 3: Appraisal Review, Development" and "Standard 4: Appraisal Review, Reporting."

The National Association of Certified Valuators and Analysts (NACVA) has Professional Standards Section VII: "Review Engagement Development Standards" and Professional Standards Section VIII: "Review Engagement Reporting Standards."

USPAP

USPAP Standards Rule 3-3(a)(III) states:

- Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the **completeness, accuracy, adequacy, relevance, and reasonableness** of the analysis in the work under review, given law, regulations, or intended user requirements applicable to the work under review. [Emphasis added.]

USPAP Standards Rule 3-3(b)(II) states:

- Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the **completeness, accuracy, adequacy, relevance, and reasonableness** of the report, given law, regulations, or intended user requirements applicable to that work. [Emphasis added.]

NACVA Professional Standards

Professional Standard Section VII states:

- Consistent with the member's scope of work, the member is required to develop an opinion as to the **completeness, accuracy, adequacy, relevance, and reasonableness** of the report, given law, regulations, or intended user requirements applicable to that work. [Emphasis added.]

As such, USPAP and NACVA's Professional Standards require the following for appraisal/valuation review development and reporting:

CAARR

- **C**ompleteness
- **A**ccuracy
- **A**dequacy
- **R**elevance
- **R**easonableness

Why Is This Important?

It is important in helping the reviewer to stay focused on his or her views concerning the analysis and report. It also helps in avoiding perceived personal attacks on the valuation analyst versus the work and report. Let's try an example that can be used in a review report.

- Based on a technical appraisal review, it is my opinion that the valuation analyses in Mr. Jones' report are flawed. In accordance with my obligation as a reviewer under USPAP to "develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review," it is my opinion that the valuation analyses in Mr. Jones' report are not complete, accurate, adequate, relevant, or reasonable.

The review analyst first states what he or she is required to do by the standards and then does it. Any criticisms are couched by the use of the standards.

For more information, [join Jim Hitchner on September 17, 2019](#) as he presents his views on this and many other procedures when reviewing a valuation report.

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