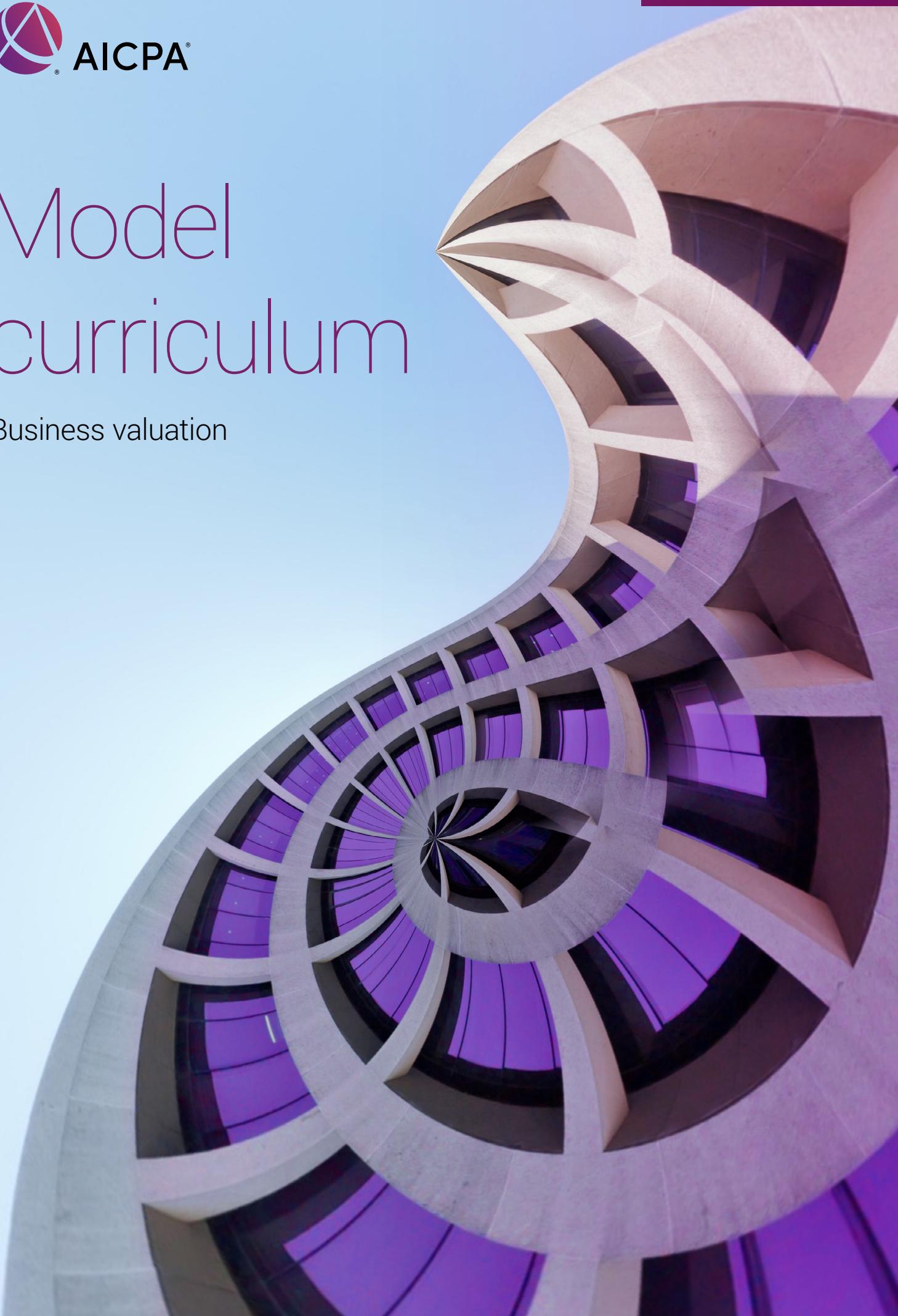




# Model curriculum

Business valuation



# Acknowledgments

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Learn more at [aicpa.org/FVS](http://aicpa.org/FVS).

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## Preface

The AICPA developed the Model Business Valuation Curriculum (MBVC) as a resource for accounting and finance educators seeking to develop or enhance their course offerings. The MBVC has been designed to help students gain a foundational knowledge of business valuation and to increase students' chances for success, regardless of their chosen career path.

The MBVC's primary objective is to provide students with an understanding of the role business valuation plays in the real world. To achieve this objective, the MBVC recommends that faculty use a framework that helps students organize their knowledge. The framework should consist of a series of business valuation topics, whether in a single course or multiple courses, which progress in an integrated and logical manner. The MBVC provides educators with a sample framework that can be tailored to specific needs or adopted in its entirety. The MBVC can also be used to integrate business valuation theory into an established accounting or finance curriculum.

## Model Business Valuation Curriculum

The MBVC provides recommendations for designing the business valuation component of an academic curriculum in line with the [ABV Exam Blueprint](#) (business valuation body of knowledge), the AICPA's Vision and the AICPA FVS Section's mission. It provides a pathway to becoming a business valuation analyst and/or [Accredited in Business Valuation \(ABV\) credential holder](#). Independent of a student's interest in becoming a business valuation analyst or ABV credential holder, the MBVC will provide a sound foundation for future learning and prepare students to best serve their future employers and clients.

The MBVC's recommendations should be implemented after significant thought and discussion around adaptation based on the specific needs and governing mission of the program. Due to the wide variety of accounting and finance programs, no one approach can be adopted without customization efforts. For example, many programs only have one elective course in business valuation at the undergraduate level. Other programs may require multiple graduate courses in business valuation and related topics.

The Task Force believes that a multi-course business valuation sequence is the most effective method to achieve the overall learning outcomes but recognizes that this ideal is not practical in all programs. The overall learning outcomes can, however, be used to guide discussions for any program. The Task Force recognizes the difficulty of satisfactorily meeting all five overall learning outcomes in a single course. If only one business valuation course can be offered in the curriculum, programs should make every effort to address the overall learning outcomes in other courses, where appropriate.

# 1. Importance of business valuation in accounting and finance curricula

Business valuation can have significant implications for both corporate and individual wealth. Many economic decisions involve business valuation considerations. The study of business valuation is important for any accounting, finance or business major. Business valuation considerations are frequently intertwined with other areas, including taxation, financial reporting, mergers and acquisitions transactions and litigation. Professionals can bolster their employer and client service capabilities with a fundamental understanding of business valuation issues.

The Task Force has observed significant gaps in fundamental principles and skills in the business valuation component of accounting and finance curricula at a large percentage of universities. Coverage gaps often include, but are not limited to, private company valuation methods and approaches and fair value measurements for financial reporting. Because students may obtain their business valuation knowledge through a variety of paths, including both undergraduate and graduate courses, it is possible for gaps to exist in a student's business valuation knowledge when important concepts are taught in disparate elective courses or not at all.

Business valuation is pervasive, complex and critical to decision-making. Faculty should carefully examine the business valuation component of their curricula to ensure that all students obtain fundamental business valuation knowledge.

# 2. Objectives of the business valuation curriculum

The primary objective of the business valuation curriculum is for students to understand the role of business valuation in economic decision-making, financial reporting, transaction planning and litigation. A student should understand fundamental business valuation analysis and methods and be able to apply essential business valuation concepts in practice. The curriculum should introduce a broad range of business valuation issues and their impact on a variety of stakeholders.

The knowledge and skills provided in the business valuation curriculum should facilitate future learning in business valuation even if the student does not expect to become a business valuation analyst. The business valuation curriculum is also critical in that it makes students aware of the existence of careers in business valuation and shapes the perceptions of those students who may wish to become business valuation analysts. As such, it plays a key role in attracting students toward careers in business valuation.

### 3. Overall learning outcomes

The overall learning outcomes are listed here, followed by an expanded discussion of the components of the outcomes and some suggested secondary objectives for each. The outcomes are both numbered and tied to the [ABV Exam Blueprint](#) and the order is intended to be hierarchical.

1. Understand the qualitative and quantitative considerations that are critical to a business valuation engagement.
2. Demonstrate knowledge of the commonly used business valuation approaches and methods.
3. Understand business valuation adjustments (discounts and premiums) and how to develop a conclusion of value.
4. Demonstrate knowledge of the business valuation statutory and professional ethics obligations, including the AICPA Statements on Standards for Valuation Services (VS Section 100).
5. Understand the application of business valuation in specific engagement settings including taxation, financial reporting and litigation services.

#### **Overall learning outcome No. 1: Understand the qualitative and quantitative considerations that are critical to a business valuation engagement.**

Business valuation engagements involve both qualitative and quantitative components. Students should be able to identify the subject interest, premise of value and standard of value. They should learn the factors outlined in IRS Revenue Ruling 59–60 as they pertain to understanding the nature, history and prospects of a business enterprise. Further, students will understand the requirements for fair value measurements in the context of financial reporting as outlined in ASC 820, Fair Value Measurements and Disclosures. Properly valuing a business enterprise also requires an understanding of the macro-economic environment, the industry a company operates in and the competitive strengths and weaknesses of the company in relation to its competitors.

Students should be aware of industry, market and financial data sources available to business valuation analysts. They should be able to perform a basic historical financial analysis using income statement and balance sheet data. They should understand the different types of normalization adjustments and forecasting financial statements

#### **Overall learning outcome No. 2: Demonstrate knowledge of the commonly used business valuation approaches and methods.**

Students should demonstrate knowledge of the three main approaches to business valuation (market, asset and income) and the commonly used methods for each approach including general theory, sources of data and application. They should understand basic cost of capital concepts and how to develop a discount rate.

**Overall learning outcome No. 4: Demonstrate knowledge of the business valuation statutory and professional ethics obligations, including the AICPA Statements on Standards for Valuation Services (VS Section 100).**

AICPA Statements on Standards for Valuation Services (VS Section 100) applies to most CPAs and all members of the AICPA, including ABV credential holders. VS Section 100 provides both developmental and reporting requirements for business valuation engagements. Students should demonstrate knowledge regarding the applicability of VS Section 100, the developmental standards and the reporting standards. They should be able to distinguish between the different types of engagements to estimate value and the appropriate reports promulgated by VS Section 100.

**Overall learning outcome No. 3: Understand business valuation adjustments (discounts and premiums) and how to develop a conclusion of value.**

Students should understand the different levels of value and how valuation adjustments can be applied to the various levels of value. Students should understand the theory and sources of data for the discount for lack of control (DLOC) and discount for lack of marketability (DLOM). They should be aware of other valuation adjustments that may be appropriate (such as blockage and key person discounts). They should also understand how to reconcile the different indications of value derived from the three main approaches to business valuation and how to assess the reasonableness of the conclusion of value.

**Overall learning outcome No. 5: Understand the application of business valuation in specific engagement settings including taxation, financial reporting and litigation services.**

Business valuations are performed for a variety of reasons. Common engagement purposes include taxation, financial reporting and litigation services. In general, tax valuations are influenced by the Internal Revenue Code, financial reporting valuations (or fair value measurements) are influenced by GAAP and valuations for litigation are influenced by federal or state law. Students should understand the rules and regulations for each service area pertaining to valuation. They should understand the different considerations and methods required to perform a valuation for each specific purpose.

## 4. Teaching methods

Faculty should use a variety of active teaching methods to achieve the learning outcomes of the MBVC, with consideration to their institution's and program's mission and curricula. When introducing technical topics, faculty members are encouraged to use an approach that integrates planning, research and financial accounting concepts from a decision-making perspective.

The intent of the MBVC is to recommend the learning outcomes a student should attain before beginning a professional career. As such, these outcomes may be achieved through a variety of channels, including undergraduate or graduate courses, in-class or out-of-class experiences and components within traditional courses. It is important to recognize that achieving the learning outcomes cannot be accomplished in one business valuation course that is primarily lecture-based, containing minimal amounts of problem-solving activities.

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Pedagogy may incorporate active learning approaches such as:

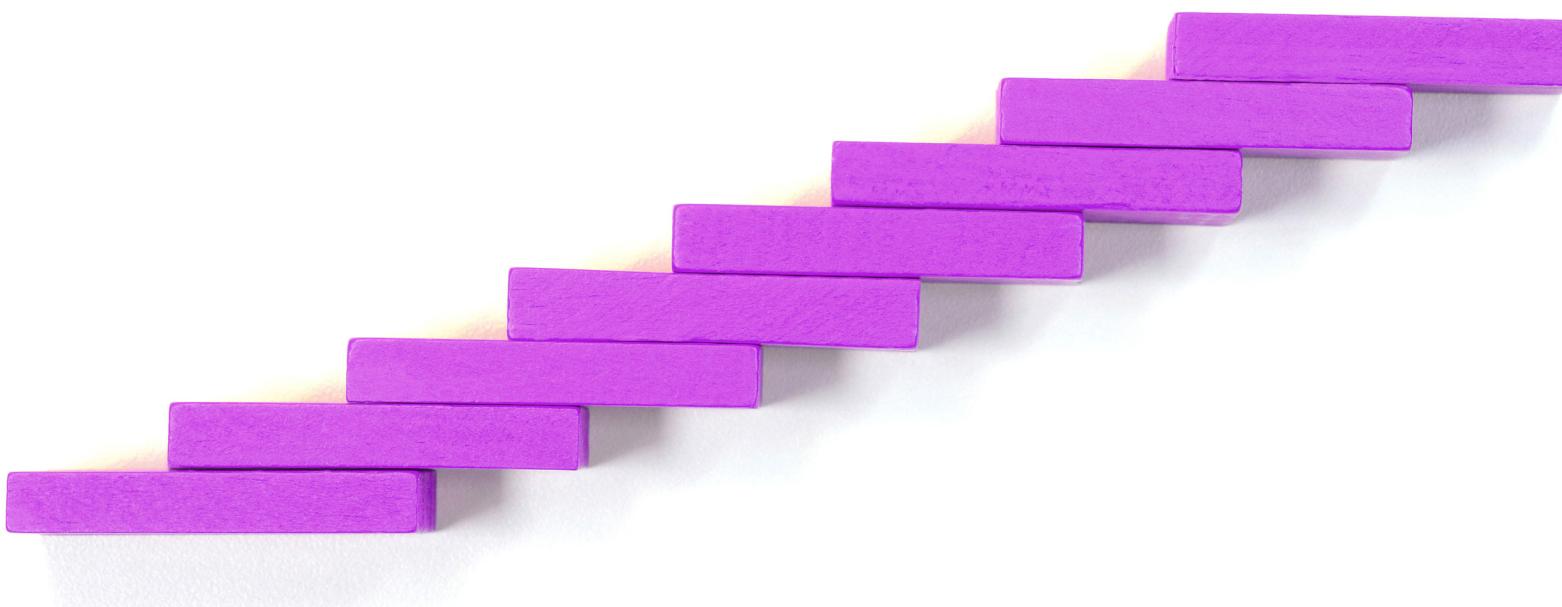
- ▶ In-class discussions
- ▶ Student presentations
- ▶ Practitioner presentations
- ▶ Case studies and simulations
- ▶ Collaborative learning activities
- ▶ Role-plays and service learning activities

Assignments should enable students to gain knowledge in the core areas of business valuation while further developing their communication, critical-thinking and interpersonal skills. While traditional problem-solving can reinforce lecture and independent reading assignments, there are several opportunities to help students achieve the learning objectives unique to the business valuation curriculum. For example, case studies, presentations by student teams and cooperation with state and local professional societies all may be considered means of helping students develop their personal competencies, while enhancing their business valuation knowledge. Faculty may consider incorporating practicing ABV credential holders and subject matter experts into their programs. The Task Force strongly believes that a comprehensive case study and report assignment is the best way for university students to learn and apply the concepts of business valuation.

A sample syllabus, designed for a three-credit hour course has been included as part of the MBVC. Suggested projects to facilitate active learning for the various learning objectives have also been developed. Both can be found in the Appendices and Examples section beginning on the next page. To reiterate the point made earlier, the Task Force recognizes the difficulty in satisfying all five overall learning outcomes in a single course. The sample syllabus is intended to provide a discussion vehicle for including all five overall learning outcomes in a single course. In addition, the AICPA has developed a university program in business valuation, including a textbook and instructor support materials that are in concert with the MBVC and [ABV Exam Blueprint](#).

## 5. Summary

The MBVC can be a useful tool for accounting and finance programs and faculty as they assist students in developing foundational knowledge and skills in business valuation. There are also multiple opportunities for customization with MBVC. To meet the changing needs of the accounting and finance professions, faculty should periodically revisit their business valuation curriculum and its role within university programs to ensure students are prepared to enter the business world as knowledgeable professionals and valued business advisers.



# Appendices and examples

## 1. Sample syllabus

### Recommended text

Trugman, Gary. Understanding Business Valuation: A Practical Guide to Valuing Small to Medium Sized Businesses. 5th edition. AICPA 2017.

### Learning outcomes

1. Understand the qualitative and quantitative considerations that are critical to a business valuation engagement.
2. Demonstrate knowledge of the commonly used business valuation approaches and methods.
3. Understand business valuation adjustments (discounts and premiums) and how to develop a conclusion of value.
4. Demonstrate knowledge of the business valuation statutory and professional ethics obligations, including the AICPA Statements on Standards for Valuation Services (VS Section 100).
5. Understand the application of business valuation in specific engagement settings including taxation, financial reporting and litigation services.

### Description

The sample syllabus introduces basic principles in business valuation and pre-engagement considerations including professional standards such as AICPA VS Section 100. The sample syllabus then covers sources of data, economic and financial statement analysis, the three valuation approaches, cost of capital and valuation adjustments. It concludes with a discussion of the valuation conclusion and reporting and a brief survey of valuations for financial reporting, intangible assets and litigation.

1. Introduction (75 minutes; Trugman chapter 1)
  - ▶ Opportunities in business valuation
  - ▶ Supplemental reading: AICPA Sample Report for a Valuation Engagement: Summary Report or Detailed Report
2. Engagement considerations (75 minutes; Trugman chapter 3)
  - ▶ Engagement considerations
  - ▶ Engagement letters
  - ▶ Understanding ownership characteristics
  - ▶ Premise of value
  - ▶ Supplemental reading: AICPA Quick Reference Guide to Standards and Premises of Value
3. Basic valuation theory (75 minutes; Trugman chapter 4)
  - ▶ Standard of value
  - ▶ Relationship between purpose of the valuation and the standard of value
  - ▶ Supplemental reading: AICPA Quick Reference Guide to Standards and Premises of Value
4. Fair market value and taxation (75 minutes; Trugman chapters 4 and 16)
  - ▶ IRS Requirements
  - ▶ Revenue Ruling 59–60

5. Sources of economic and industry data  
(75 minutes; Trugman chapter 5)
  - ▶ Subject company data
  - ▶ Externally sourced data
  - ▶ Supplemental resource: Business Reference Guide Online
6. Economic, industry and subject entity analysis  
(150 minutes; Trugman chapter 6)
  - ▶ Industry structure and life-cycle analysis
  - ▶ Competitive strategies and analysis
  - ▶ Entity documents
  - ▶ SWOT analysis
  - ▶ Firm economics
  - ▶ Historic and forecast financial statement analysis
  - ▶ Adjustments to historic and forecast financial statements
7. Forecasting (75 minutes; Trugman chapter 8)
  - ▶ Evaluating management forecasts
  - ▶ Preparing forecasts
8. First midterm exam (75 minutes)
9. The market approach  
(225 minutes; Trugman chapters 9 and 10)
  - ▶ General theory
  - ▶ Sources of data
  - ▶ Commonly used methods
  - ▶ Selecting guideline companies
  - ▶ Statistics related to valuation analysis
  - ▶ Equity versus invested capital
  - ▶ Selection of appropriate time periods
  - ▶ Selection and adjustment of appropriate multiples
10. The asset approach (75 minutes; Trugman chapter 11)
  - ▶ General theory
  - ▶ Sources of data
  - ▶ Commonly used methods
  - ▶ Considerations in liquidation
  - ▶ Issues in valuing intangible assets
  - ▶ Tax affecting the balance sheet
11. The income approach  
(225 minutes; Trugman chapter 12)
  - ▶ General theory
  - ▶ Sources of data
  - ▶ Commonly used methods
  - ▶ Commonly used models
  - ▶ Types of benefit streams and selection
  - ▶ Selection of appropriate time
12. Cost of capital (150 minutes; Trugman chapter 13)
  - ▶ Capital asset pricing model (CAPM) and beta (B)
  - ▶ Build-up method
  - ▶ Duff and Phelps risk premiums
  - ▶ Weighted average cost of capital (WACC)
  - ▶ Understanding the security market
  - ▶ Understanding option pricing theory
13. Second midterm exam (75 minutes)

- 14.** Valuation adjustments (discounts and premiums) (150 minutes; Trugman chapters 14 and 15)
- ▶ Levels of value
  - ▶ DLOC and control premium
  - ▶ DLOM
  - ▶ Understanding the empirical studies
  - ▶ Allocation between voting and non-voting stock
  - ▶ Other valuation adjustments
- 15.** Professional standards (75 minutes; Trugman chapter 2)
- ▶ AICPA Statements on Standards for Valuation Services (VS Section 100)
- 16.** Valuation conclusion and reporting (150 minutes; Trugman chapter 17)
- ▶ Reconciliation of indicated values
  - ▶ Reasonableness of conclusion
  - ▶ Types of reports
  - ▶ Components of the report
  - ▶ Supplemental reading: AICPA Sample Report for a Valuation Engagement: Summary Report or Detailed Report
- 17.** Valuations for financial reporting and intangibles (150 minutes; Trugman Chapters 19 and 20)
- ▶ Fair Value Measurements (FASB ASC 820)
  - ▶ Business Combinations (FASB ASC 805)
  - ▶ Goodwill and Other Intangibles and Measuring Impairment (FASB ASC 350)
  - ▶ Intangible asset valuation approaches and methods
  - ▶ Valuing specific intangible assets
- 18.** Valuations for litigation (150 minutes; Trugman Chapters 22, 24 and 26)
- ▶ Marital dissolutions
  - ▶ Shareholder disputes
  - ▶ Economic damages
- 19.** Final exam
- ▶ Total 2,100 contact minutes = 42 contact hours (50 minutes per contact hour)

## 2. Comprehensive case study and report

The Task Force strongly believes that a comprehensive case study and report is the best way for university students to learn and apply the concepts of business valuation. A comprehensive case study should include as many of the classroom learning objectives as possible.

The report will combine the classroom learning objectives with the necessary writing and communication skills which employers are seeking in the workplace. The assignment may be broken up over the semester as time allows or submitted at the completion of the semester. The optional Understanding Business Valuation Workbook includes short questions, case studies and a major case study.

# 3. AICPA business valuation program designed for students

The AICPA business valuation program for students is designed to be a three-credit hour course that systematically introduces the essentials of all the major topics of business valuation, detailing the engagement processes and professional opportunities. It covers the business valuation body of knowledge that aligns with the ABV Exam.

What it includes:

- ▶ AICPA course textbook, Understanding Business Valuation, written by Gary Trugman, which contains:
  - Learning objectives
  - Foundational knowledge of each topic
  - Practical application: Examples, case studies, rules of thumb and tips
  - Workbook with short questions, case studies and a major case study (optional)
- ▶ Instructor support materials including:
  - Instructor resource manual with teaching outline, course notes and PowerPoint slides
  - Support for practical application in the textbook
  - Assessment tools: Sample questions and answers
- ▶ Availability
  - 5th Edition and optional student workbook available now

## Business valuation body of knowledge

The [ABV Exam Blueprint](#) lists the core areas of business valuation and the foundational knowledge needed for a valuation analyst or ABV credential holder to objectively and ethically deliver these services in a competent and confident manner.

## Other resources

The AICPA FVS Section provides resources for members, faculty and students. The following information can be used to enhance the classroom experience. Faculty and students may contact [ABV@aicpa.org](mailto:ABV@aicpa.org) for access to locked resources or more information on offering the ABV Exam to students.

1. Business Valuation and Forensic Accounting Resources
2. Practice Aides/Online Professional Library
3. Business Reference Guide Online
4. FVS News
5. Library of Recorded Events and Micro Videos
6. Statements on Standards for Valuation Services
7. ABV credential program







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