INTANGIBLE ASSET VALUATION DESIGNATION

REPORT REVIEW CHECKLIST

Dear Candidate,

This checklist provides specific criteria for evaluating intangible asset appraisal reports submitted for the advancement procedure for obtaining the Accredited Senior Appraiser designation in Business Valuation/Intangible Assets. The Candidate and the intangible asset report examiner ("Examiner") use this checklist to evaluate and document the appraisal report submitted by a candidate. The report and this checklist will be submitted to the ASA Board of Examiners. For purposes of demonstrating your appraisal expertise, we suggest that you select appraisals that include many of the elements covered in this checklist.

As a large share of intangible asset valuations are performed for financial reporting, many elements in this checklist related to valuations prepared for financial reporting. Reports prepared for other purposes (tax reporting for transfer pricing, litigation, other) will also be accepted for examination.

Certain items are identified as **"Pass/Fail"** items. For the purpose of the ASA accreditation evaluation process for the Accredited Senior Appraiser designation in Business Valuation/Intangible Assets, **any report that fails to pass one of these particular elements will be rejected immediately**, regardless of the quality of the rest of the report. Other elements on the checklist are typically important but may not be required or appropriate for every appraisal report.

To satisfy the report review criteria, the report submitted must be a comprehensive intangible asset valuation report. For financial reporting reports, **the report should include at least one intangible asset valued using a multi-period excess earnings method (MPEEM)**. If an MPEEM is not employed, the report should include language discussing why this method was not employed.

The ASA prefers that the submitted report be an actual report prepared for an actual client. It is required that the Candidate be the primary preparer (substantially responsible) of the report. The ASA recognizes that a Candidate may work in a practice area or for a company or government agency where there is a policy or firm report format that specifically precludes the inclusion of one or more of the pass/fail items noted below in appraisal reports. In such a case, the Candidate is allowed to expand the original report to make it a demonstration report. A *demonstration report* is a report prepared by the Candidate, for an actual client, that has been expanded to include items required by the ASA that were not included in the original report because of a firm policy. If a Candidate submits a demonstration report, then he or she must clearly indicate that it is a demonstration report and state why a demonstration report is being submitted, including the company policies that limited the completeness of the actual report.

The comment section at the end of this checklist is to be completed by the Examiner. This section provides the candidate with targeted feedback on issues of importance to the Examiner. Therefore, the comment section of this checklist is an integral part of the evaluation process. Any comments should be studied closely by the Candidate.

Candidates are required to fill out page references for each item listed in this checklist. If any element on the checklist is not applicable to your report, please indicate by writing "n/a." (Please note that the graders reserve the right to make the final determination as to whether any particular component is applicable.)

This checklist is applicable **only** to the ASA designation advancement process and is **not** intended to be used for any other purpose.

BACKGROUND INFORMATION

GENERAL

_____	Pass	Fail	***Pass/Fail*** **-** Name of entity holding intangible asset(s)
_____	Pass	Fail	***Pass/Fail*** **-** Name and standing of party hiring the appraiser

RELEVANT DATES

_____	Pass	Fail	***Pass/Fail*** **-** Effective valuation date _____
_____	Pass	Fail	***Pass/Fail*** **-** Date report prepared _____

PURPOSE OF APPRAISAL

_____	Pass	Fail	***Pass/Fail*** **-** Is the purpose of the appraisal clearly stated? (*Circle the factors considered*— ASC 805, IFRS 3, transfer pricing, other tax valuation, litigation project, financing, other.)
_____	Pass	Fail	***Pass/Fail*** **-** Is the standard (definition) of value appropriate to the stated use of the appraisal?

DEFINITION OF VALUE

_____	Pass	Fail	***Pass/Fail*** **-** Definition of *standard of value* provided.
_____			*Standard of value* well defined. (*Circle the factors considered*—fair value, fair market value, investment value, intrinsic value, other)

_____			Source/authority of definition for *standard of value* provided. (*Circle the factors considered*—financial reporting, tax reporting, litigation, other)
			TRANSACTION BACKGROUND (IF PURCHASE PRICE ALLOCATION REPORT)
_____	Pass	Fail	***Pass/Fail*** **-** Form of transaction - acquisition of stock (subchapter C), stock (subchapter S) or assets
_____	Pass	Fail	***Pass/Fail*** **-** If an acquisition of stock, is the type of entity acquired described (e.g., C corporation, S corporation, LLC or partnership)
_____			Is the rationale for the transaction discussed? Type of transaction - Is buyer strategic or financial buyer?
_____	Pass	Fail	***Pass/Fail*** **-** Description of consideration paid and valuation of each element of consideration.
_____			Did transaction include contingent consideration? If so, was this valued using a reasonable methodology?
			SUBJECT COMPANY BASIC INFORMATION
_____			History of company
_____			Description of products/services
_____			Description of the company's markets (industry and/or geographical)
_____			Description of competitive situation faced by the company
			SOURCES OF INFORMATION
_____	Pass	Fail	***Pass/Fail*** **-** Sources of information—List the sources of information used to prepare the report.
_____			Site visit(s) - Describe the nature of the site visit.

_____			Management interviews - Describe the nature/extent of the management interview
			Company Financial Statements
_____	Pass	Fail	***Pass/Fail*** **-** Income statement—Company's historical income statements presented in report or in exhibits with sufficient detail and history to assess for possible adjustments. (If missing, an explanation of its absence should be included.)
_____			Balance sheet—Company's most recent balance sheet presented in report or in exhibits with sufficient detail.
			INTANGIBLE ASSET IDENTIFICATION
_____			Is there adequate description of the process for identifying intangible assets?
_____	Pass	Fail	***Pass/Fail*** **-** Do the intangible assets identified appear appropriate?
_____			Were there any apparent limitations on the intangible assets appraised?
_____			Do intangible assets valued reflect market participant considerations?

VALUATION METHODOLOGY

			OVERALL VALUATION METHODOLOGY
_____			Are the various valuation methodologies explained?
_____	Pass	Fail	***Pass/Fail*** **-** Are the valuation methodologies applied to the various intangible assets appropriate given the characteristics of each intangible asset?

DISCOUNT RATE(S)

_____ Is the estimated Weighted Average Cost of Capital (WACC) reasonable? Is the approach used to develop the WACC appropriate for the stage of development of the acquired company?

_____ Is an Internal Rate of Return (IRR) calculated in the report?

_____ Is a Weighted Average Return on Assets (WARA) presented? Does the WARA reconcile to the WACC or IRR? Are any material differences adequately explained?

_____ Does the selection of the WACC or IRR as the basis for discount rate estimates appear reasonable?

_____ Sources of earnings or cash flow growth projections for subject (who prepared, for what purpose, what adjustments did the appraiser make, other)

_____ Are the relationships of discount rates for different assets of the business enterprise reasonable?

ARE THE DATA USED APPROPRIATE FOR THE VALUATION DATE?

Cost of Capital Data—If the build-up or CAPM procedure is used:

_____ Is the risk-free rate as of the effective valuation date?

_____ Are other components, such as equity risk premium, current as of the year of valuation?

_____ Is the equity risk premium appropriate for the method used?

_____ Is the adjustment for company and industry specific factors adequately explained?

_____ Is the size premium appropriately selected and explained?

MULTI-PERIOD EXCESS EARNINGS METHOD

_____			Are market participant synergies appropriately included in the valuation analysis?
_____	Pass	Fail	***Pass/Fail*** **-** Do any income statement adjustments appear reasonable (R&D adjustments for valuation of technology, sales and marketing expense adjustments for valuation of existing customers, other)?
_____			Are the income statement adjustments adequately supported?
_____			Have other financial statement adjustments been made and justified to "normalize" the company's historical financial performance?
_____			If customer relationships are being valued, is an estimate for potential loss of customers included and explained? Is the estimated rate of loss reasonable?
_____			If technology is valued using the MPEEM, is the economic life and obsolescence estimate for the technology explained in the report? Does the estimate appear reasonable?
_____			Are contributory asset charge calculations reasonable (appropriate assets, asset balances, rate of return assumptions, revenue bases, other)?

RELIEF FROM ROYALTY METHOD

_____	Pass	Fail	***Pass/Fail*** **-** Is the relief from royalty method applied for appropriate assets?
_____			Is the royalty rate reasonable? Is the royalty rate based on licensing transactions, a profit split method or both?
_____			Is the discount rate selected appropriate?
_____			Are the discount rate and cash flow amount consistent (i.e., post tax cash flows and post tax discount rate)?

_____			Is a tax amortization benefit (TAB) included? Is the calculation reasonable?

COST APPROACH

_____	Pass	Fail	Is the cost approach used to value appropriate assets?
_____			Are the cost estimates developed reasonable and explained in sufficient detail?
_____	Pass	Fail	If a TAB is included, are the costs to create tax-effected? If a TAB is not added, the valuation should reflect pretax costs.
_____			Is an adjustment for obsolescence discussed in the report? Does an adjustment appear appropriate?

OTHER

_____	Pass	Fail	***Pass/Fail*** **-** Is tax amortization benefits (TAB) included appropriately?
_____			Do the assumptions in the TAB calculations appear reasonable (tax rate, discount rate, term of amortization period, other)?
_____			Were any liabilities valued by the appraiser?
_____			If attrition is appropriate for the valuation of customers or another asset, is the basis for the estimate explained? Does the estimate appear reasonable?
_____			Is the assembled work force valued? Does the valuation appear reasonable?

OTHER REPORT ELEMENTS

APPRAISER'S QUALIFICATIONS

Experience and Professional Involvement

_____ Length and type of experience

_____ Education

APPRAISER'S CERTIFICATION

_____	Pass	Fail	***Pass/Fail*** **-** Signed statement of disinterestedness (or disclosure of interest) included.
_____	Pass	Fail	***Pass/Fail*** **-** Conformance (or lack of conformance) to any professional standards (e.g., USPAP, ASA BV Standards, etc.) explained.
_____	Pass	Fail	***Pass/Fail*** **-** Statement is included that compensation is not contingent on value reported or on any predetermined value.
_____	Pass	Fail	***Pass/Fail*** **-** Statement included that no person other than those identified had any significant professional input.
_____	Pass	Fail	***Pass/Fail*** **-** Statement included that, to the best of our knowledge, all statements are true and correct.

STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

_____	Pass	Fail	***Pass/Fail*** **-** Statement included that the opinion of value is only for the stated effective valuation date and only for the stated valuation purpose.
_____			Statement included listing reliance on data supplied by others without independent verification (the typical report will have a lengthy list of assumptions and limiting conditions the examiner should be aware of).
_____			Are the listed assumptions and limiting conditions appropriate for the engagement?

OVERALL EVALUATION

_____	Is the report understandable to the reader?
_____	If the report and listed data sources were provided to another competent appraiser, could key data provided be independently checked for accuracy and thoroughness?
_____	Is there replicability? Could a competent appraiser follow the thought process leading to the conclusion(s) (not necessarily agree with the conclusion(s), but be able to understand basis)?
_____	Is the appraisal methodology appropriate for the purpose of the appraisal, the relevant standard of value?
_____	Is the report internally consistent (e.g., nothing in one place that seems to contradict something else)?
_____	Is the report comprehensive (e.g., does it do everything it promises to do; are all the topics included that seem necessary to support the conclusions reached)?
_____	Are there any obvious omissions in the report?

Page Reference			
_____			Does the report logically lead to convincing support for the conclusions reached?
_____			Is the professional format acceptable (spelling, grammar, layout)?
_____	Pass	Fail	***Pass/Fail*** **-** Signature included. Also, if original report was signed by two or more individuals, then a signed statement from the other appraiser(s) is required stating that the report was primarily the work product of the Candidate. Only one person/ Candidate can claim to be the primary preparer of a given report.

Candidate's Name: _____

Name of the Report: _____

Date of the Report: _____

REPORT EXAMINATION SCORING

	# Items Passed	# Items Failed
PASS/FAIL SCORE	_____	_____
THIS REPORT HAS	**PASSED**	**FAILED**

EXAMINER COMMENTS

_____ _____

_____ _____

_____ _____

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_____ _____

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_____ _____

_____ _____

_____ _____

Page Reference	