

Professional Designations: Evaluating Expert Witness Credentials

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Legal counsel who hire valuation analysts and other forensic analysts to perform litigation-related services, such as economic damages analyses, intellectual property valuation analyses, business valuation analyses, or other analyses, may find it difficult to navigate the sea of professional designations that such analysts may possess. What are the differences among these professional designations? What education, training, and experience requirements do each professional credential require? The purpose of this discussion is not to endorse any particular professional organization credential. Rather, the purpose of this discussion is to provide an overview of the various professional designations, so that legal counsel may have a better understanding of the background and expertise of credentialed valuation analysts and other forensic analysts.

INTRODUCTION

Business/security valuation, lost profits/economic damages analysis, and other forensic analysis services are often provided by analysts who practice in various financial disciplines. The professional who provides these services may be a certified public accountant (CPA) or an accredited senior appraiser (ASA). Or, such an analyst may have other professional designations. Some forensic analysts have no professional credentials at all.

This discussion provides a brief summary of the common professional credentials found in the business/security valuation and forensic analysis discipline. This discussion also summarizes the basic requirements for each designation.

It is noteworthy that there may be other requirements that are not listed in this discussion. Also, the requirements change from time to time.

The website for each professional organization is provided below so that the reader may further explore the requirements for each of these professional designations.

Table 1 presents a comparison chart of the various requirements for each relevant professional designation.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

The American Institute of Certified Public Accountants (AICPA), founded in 1887, is the national membership organization for the profession. The AICPA has approximately 370,000 members in 128 countries.

AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, and federal, state, and local governments.

The AICPA offers training in various disciplines within the accounting profession. The AICPA also offers credentials in various specialty areas, such as business valuation and forensic analysis services.

For more information on the AICPA, visit the Institute's website at www.aicpa.org.

Certified Public Accountant

The certified public accountant (CPA) offers a wide variety of professional services. Some CPAs serve as

**Table 1
Valuation and Forensic Analysis Credentials Comparison**

Credential Requirements	American Institute of Certified Public Accountants		CFA Institute		American Society of Appraisers		Canadian Institute of Chartered Business Valuators		Institute of Business Appraisers			National Association of Certified Valuator Analysts		
	Certified Public Accountant	Accredited in Business Valuation	Certified in Financial Forensics	Chartered Financial Analyst	Accredited Member	Accredited Senior Appraiser	Chartered Business Valuator	Certified Business Appraiser	Master Business Appraiser	Certified Business Valuator	Accredited in Appraisal Review	Certified Valuation Analyst	Accredited Valuation Analyst	Certified Forensic Financial Analyst
Name of credential	CPA	ABV	CFP	CFA	AM	ASA	CBV	MCBA	BVAL	ABAR	CVA	AVA	CFA	
Education required	College degree	College degree ¹	College degree	College degree	College degree ²	College degree ²	College degree ³	College degree ³	College degree ³	College degree ³	College degree ¹	College degree	College degree	
Experience required	2 years	6 completed engagements	5 years as CPA + 1,000 hours in forensic accounting	48 months	2 years	5 years	1,500 hours of relevant experience	None	None	None	None	2 years or 10 completed engagements	None	
Other credential required	None	CPA	CPA	None	None	None	None	CBA, ASA, ABV, CVA, or CFA	CBA, ASA, ABV, CVA, AVA, or CFA	CBA, ASA, ABV, CVA, AVA, or CFA	CPA	None	None	
References required	No	No	No	No	No	No	CBV sponsor	Yes	Yes	Yes	Yes	Yes	Yes	
Submission of report required	No	No	No	No	Yes	Yes	No	Yes	No	Yes	Yes ⁴	Yes ⁴	Yes ⁵	
Exam required	Yes	Yes ⁶	Yes	Yes	Yes	Yes	Yes	Yes ⁷	Yes	Yes	Yes	Yes	Yes	
Length of exam	14 hours	6 hours	4 hours	3 exams, 6 hours each	8-14 hours ⁸	8-14 hours ⁸	4 hours	6 hours	4 hours	4 hours	5 hours	5 hours	8 hours	
Hours of CPE required	40 hours per year	60 hours every 3 years	60 hours every 3 years	None	100 hours every 5 years	100 hours every 5 years	20 hours per year	24 hours every 2 years	24 hours every 2 years	24 hours every 2 years	36 hours every 3 years	36 hours every 3 years	36 hours every 3 years	

Notes:

1. Implied due to CPA requirement. All states require 150 credit hours to take the Uniform CPA Exam.
2. Equivalent experience can be substituted for some college; determined on a case-by-case basis.
3. Possession of another business valuation credential and/or equivalent experience can be substituted for some college.
4. Candidates must complete a complete appraisal report case study. In lieu of this, they may submit a sanitized client report.
5. Submission of report can be made in lieu of the two-hour proctored exam.
6. CPAs who hold the ASA or AM designation are exempt from taking the exam.
7. Candidates who hold other valuation designations or have substantial prior experience can request an exam exemption.
8. If candidates hold other valuation designations or have substantial prior experience, portions of the exams can be waived. All candidates must pass the ethics and USPAP exams, however.

company auditors. Some CPAs offer tax preparation and compliance services. Some CPAs offer business valuation and/or forensic analysis services.

All CPAs must pass the Uniform CPA Examination to qualify for a CPA certificate and a state-issued license to practice public accounting. The AICPA develops and grades the Uniform CPA Examination.

The CPA examination has four sections:

1. Auditing and attestation
2. Business environment and concepts
3. Financial auditing and reporting
4. Regulation

Although each state has its own set of education and experience requirements, the national examination is the same no matter where it is taken. It is a rigorous examination that requires hundreds of hours of preparation and study. In 2010, the passing rate for the Uniform CPA Examination averaged 48.4 percent.

CPA certificates and licenses are issued by individual state boards of accountancy. Most states require at least a bachelor's degree to be eligible for the CPA certificate and license.

In fact, almost all states now require 150 hours of college credits (i.e., more than the 120 hours required for a bachelor's degree) in order to be licensed as a CPA.

Experience requirements for a CPA practice license vary widely from state to state. Some states require at least two years of public accounting experience. Some states accept non-public-accounting experience, but these states require more than two years of such experience.

Some states require that the candidates pass the CPA examination and fulfill the experience requirements in order to obtain both the certificate and the license. Other states have a two-tier system. In such a system, one can obtain the certificate upon passing the examination and then fulfill the experience requirements to obtain the license to practice public accounting.¹

To maintain a CPA license, each state requires practitioners to complete continuing professional education (CPE) requirements. Most states require approximately 40 hours of CPE per year. The required CPE subjects vary depending on the type of license and the area of employment.

Accredited in Business Valuation

The AICPA offers the accredited in business valuation (ABV) credential to a CPA who has demonstrated knowledge and expertise in the discipline of

business valuation. To qualify for the ABV credential, an applicant must hold a valid CPA certificate, pass the ABV examination (6 hours long),² and sign a declaration of intent to comply with the requirements of ABV recertification.

A CPA who holds the ABV credential is also a member of the Forensic and Valuation Services (FVS) section of the AICPA. This section provides CPAs with a wide variety of resources, tools, and information about forensic and valuation services.

The AICPA, through its Consulting Services Executive Committee, has issued a comprehensive professional standard related to business valuation services.

Statement on Standards for Valuation Services No. 1 (SSVS-1) was issued in June 2007. This standard covers the valuation of businesses, business ownership interests, securities, and intangible assets.

AICPA members are required "to follow this standard when they perform engagements to estimate value that culminate in the expression of a conclusion of value or a calculated value."³

Certified in Financial Forensics

The AICPA also offers the certified in financial forensics (CFF) credential to a CPA who has demonstrated knowledge and expertise in the discipline of forensic accounting and analysis.

The CFF credential encompasses specialized forensic accounting skills that are applied in situations such as bankruptcy, insolvency and reorganization, economic damages estimations, and so forth.

To qualify for the CFF credential, the applicant must:

1. be a member of the AICPA in good standing,
2. have at least five years of experience in practicing accounting,
3. meet minimum requirements in relevant business experience and continuing professional education,
4. hold a valid CPA certificate and/or license,
5. pass the CFF examination (4 hours long), and
6. sign a declaration of intent to comply with the requirements of CFF recertification.

CFA INSTITUTE—CHARTERED FINANCIAL ANALYST

The CFA Institute is a global association of investment professionals. The CFA Institute has over 100,000 members in 137 countries. The CFA

Institute awards the chartered financial analyst (CFA) designation to individuals who demonstrate knowledge and expertise in the securities analysis profession.

To enroll in the CFA program, an applicant must have a bachelor (or equivalent) degree or be in the final year of a bachelor degree program. A CFA charterholder must have four years of qualified, professional work experience.

To earn the CFA designation, the candidate must pass three levels of rigorous examination sequentially. The CFA Institute estimates that at least 250 hours of study are necessary in order to pass each level of the examination. The curriculum of study is known as the Candidate Body of Knowledge.

Each level examination is approximately six hours long. The average pass rate for the June 2010 examination was 42 percent for Level I, 39 percent for Level II, and 46 percent for Level III.

Once a candidate is granted the CFA designation, he or she must comply with the CFA Institute:

1. Code of Ethics and Standards for Professional Conduct and
2. Rules of Procedure for Professional Conduct.

For more information on the CFA Institute, visit the Institute website at www.cfainstitute.org.

AMERICAN SOCIETY OF APPRAISERS

The American Society of Appraisers, founded in 1936, is an international multidisciplinary organization of appraisal professionals. The Society grants the designation accredited member (AM) and accredited senior appraiser (ASA) to individuals who meet its qualifications.

These professional designations are offered in various technical disciplines, including business valuation and intangible asset valuation.

The business valuation committee of the American Society of Appraisers promulgates standards that AM and ASA members must follow. The Society members are also required to comply with USPAP when applicable.

For more information on the American Society of Appraisers, visit the Society web site at www.appraisers.org.

Accredited Member

To apply for this designation, the candidate must first pass the ethics examination and the Uniform Standards of Professional Appraisal Practice (USPAP) examination. In addition, he or she must have a

four-year college degree or its equivalent. A candidate for the AM designation must have two years of full-time appraisal experience before applying.

Candidates for the AM designation must take four principles of valuation courses and pass an examination for each. The candidate must submit an application along with:

1. proof of education,
2. an appraisal experience log or a letter from an ASA or a supervisor stating that the candidate has been engaged in full-time appraisal for a minimum of two years, and
3. one narrative appraisal report performed in the last two years.

If a candidate holds a designation from another professional organization (AICPA, CFA Institute, etc.), some of the requirements for an AM designation may be waived.

Once a candidate has earned an AM designation, he or she must submit evidence of professional growth through continuing education and/or participation in professional activities every five years.

Accredited Senior Appraiser

The requirements for the ASA designation are the same as for the AM designation, except that a candidate must have five years of full-time appraisal experience instead of just two years.

INSTITUTE OF CHARTERED BUSINESS VALUATORS— CHARTERED BUSINESS VALUATOR

The Canadian Institute of Chartered Business Valuators (CICBV) is the largest professional valuation organization in Canada. It has over 2,400 members and students around the world.

The CICBV awards the chartered business valuator (CBV) designation to qualified candidates.

In order to obtain the CBV designation, an individual must have a college degree. The requirement for a degree can be waived for an individual who holds a Canadian designation of certified management accountant (CMA), chartered financial analyst (CFA), certified general accountant (CGA), or chartered accountant (CA).

A candidate for the CBV designation is required to complete six courses in the professional program. The candidate is also required to have a minimum of 1,500 hours of suitable practical experience.

A candidate must also have a CBV sponsor. The candidate must pass the membership entrance

examination (4 hours long). The passing rate for this exam averages 60 percent.

An individual who has earned the CBV designation must complete 20 hours per year of continuing professional education, averaged over a three-year period. The CBV must also comply with the CICBV code of ethics and practice standards.

For more information about the CICBV, visit the Institute website at www.cicbv.ca.

INSTITUTE OF BUSINESS APPRAISERS

The Institute of Business Appraisers (IBA) is a professional organization devoted solely to the valuation of closely held companies. The IBA offers the certified business appraiser (CBA) designation and master certified business appraiser (MCBA) designation to qualified candidates.

The IBA promulgates standards that its members must follow. The IBA members must also follow the IBA code of ethics.

More information on the IBA may be found at www.go-iba.org.

Certified Business Appraiser

The candidate for the CBA designation must have a four-year college degree or equivalent. The candidate must also successfully complete:

1. the business valuation and certification training center (a five-day program administered by the National Association of Certified Valuation Analysts) and
2. the comprehensive certified business appraiser workshop (a five-day program).

The candidate must also provide four references and submit two demonstration valuation reports.

The candidate must pass a written examination (6 hours long). The pass rate for the examination averages 46 percent. A candidate who already has other business valuation designations (ABV, CFA, ASA, etc.) may waive the course and exam requirements.

Once a member has obtained the CBA designation, he or she must recertify every two years. Recertification consists of 24 hours of additional education, article writing, or reviewing publications.

Master Certified Business Appraiser

The IBA also offers a designation of master certified business appraiser (MCBA). Applicants for this des-

ignation must have held the CBA designation for not less than 10 years, and must have 15 years full-time experience as a business appraiser.

The experience of the applicants must include valuation of a variety of business types and valuation assignments for a variety of purposes.

The applicant for the MCBA designation must hold a professional designation awarded by one or more peer professional business valuation societies. Acceptable professional designations include ABV, ASA (certified in business valuation) and CVA.

The applicant must provide satisfactory references from three individuals who:

1. hold the MCBA designation,
2. have known the applicant for not less than five years, and
3. can vouch for the applicant's professional qualifications and expertise.

Business Valuator Accredited for Litigation

The IBA also offers a designation of business valuator accredited for litigation (BVAL) to candidates who have demonstrated knowledge and expertise in the field of financial litigation and forensic analysis. The candidate must already hold another professional valuation designation (such as CBA, ABV, CVA or ASA).

The candidate must provide references of trial performance from at least two attorneys or must complete 16 hours of education in the types of cases in which the applicant anticipates serving as an expert witness. In addition, the candidate must take a five-day training course and pass a proctored examination (4 hours long).

Accredited in Business Appraisal Review

The IBA also offers a designation of accredited in business appraisal review (ABAR) for those who already hold other valuation designations and wish to further their expertise in the discipline of appraisal review.

A candidate must take a training course in appraisal review and pass an examination at the end of the course. The candidate must also submit an appraisal review report for peer review.

NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS

The National Association of Certified Valuation Analysts (NACVA) has over 7,000 members. The

Association members are CPAs and other valuation and consulting professionals who practice in the areas of business valuation, forensic analysis, and various other service areas.

NACVA offers several different valuation and forensic analysis designations to candidates who possess the required qualifications.

NACVA promulgates professional standards that its members must follow. In addition, CVAs must follow SSVS-1, since they are also CPAs.

For more information about NACVA, visit the Association website at www.nacva.com.

Certified Valuation Analyst

The candidate for the designation of certified valuation analyst (CVA) must be a licensed CPA. The candidate must hold a college degree. The candidate must complete a sample case study or submit a sanitized client report.

There is no work experience required for the CVA designation (other than having a CPA license, which already requires two years of experience). A candidate for the CVA designation must pass a proctored examination (5 hours long). The pass rate for this examination averages about 70 percent.

Once a member has obtained the CVA designation, he or she must complete 36 hours of CPE every three years.

Accredited Valuation Analyst

The candidate for the AVA designation must have completed two years of business valuation work or worked on a total of 10 business valuation assignments.

The AVA candidate does not need to be a licensed CPA. The AVA candidate must have a college degree. He or she must complete a sample case study or submit a sanitized client report. The candidate must pass a proctored examination (5 hours long). The pass rate for this examination averages about 70 percent.

Once a member has obtained the AVA designation, he or she must complete 36 hours of CPE every three years.

Certified Forensic Financial Analyst

NACVA also offers a designation of certified forensic financial analyst (CFFA). This designation requires a college degree, 40 hours of training, and submission of references.

The candidate must pass an eight-hour proctored exam (two hours of this may be waived by submission of a client report). The candidate must

also already hold another designation such as ABV, CFA, ASA, CBA, or CVA.

An applicant can train in one of five areas of specialty, any of which lead to earning the CFFA credential. These areas are as follows:

1. Financial litigation
2. Forensic accounting
3. Fraud risk management
4. Business and intellectual property damages
5. Matrimonial litigation support

Once a member has obtained the CFFA designation, he or she must complete 36 hours of CPE every three years.

SUMMARY AND CONCLUSION

Each of the professional organizations discussed above provides journeyman training, continuing education, professional publications, and other resources to its members and, in some cases, to the public.

Valuation analysts and other forensic analysts who provide expert testimony in court often have at least one (if not more than one) of these professional designations.

Some of these professional designations are geared more to public company security analysis (e.g., CFA), while other professional designations focus on the valuation of closely held companies (e.g., CBA). Some of these credentials are specific to valuation (e.g., ASA), while other credentials focus on forensic analysis (e.g., CFF).

This discussion provided a summary overview of the common professional designations related to business/security valuation and forensic analysis. Additional information is available on the website of each professional accrediting organization.

Notes:

1. To find out about the various state requirements, visit the National Association of State Boards of Accountancy at www.nasba.org.
2. CPAs who already hold the accredited senior appraiser designation from the American Society of Appraisers can waive the examination requirement.
3. SSVS-1, p. 5.

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