

# Accredited in Business Valuation Credential Now Open to Non-CPA Professionals

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*On May 22, 2018, the American Institute of Certified Public Accountants (“AICPA”) opened its Accredited in Business Valuation (“ABV”) professional credential to individuals who are not certified public accountants (“CPAs”). Historically, the ABV credential was reserved specifically for CPA members of the AICPA. The previous CPA requirement limited the access for the well-known valuation credential to a subset of business valuation practitioners. This discussion provides an overview of (1) the ABV credential and (2) the implications of the AICPA amendment to the valuation profession.*

## INTRODUCTION

Since its inception in 1997, the Accredited in Business Valuation (“ABV”) professional credential has been a well-respected business valuation credential.

Along with other business valuation credentials, such as the Accredited Senior Appraiser (“ASA”) credential that is granted by the American Society of Appraisers, obtaining the ABV designation represents an accomplishment demonstrating the valuation analyst’s experience, competence, and commitment to professional standards.

Until May of 2018, the ABV credential was reserved exclusively for certified public accountant (“CPA”) members of the American Institute of Certified Public Accountants (“AICPA”).

Recently, the AICPA board has decided to award the ABV professional credential to qualified non-CPA associate members of the AICPA.

In other words, other qualified financial professionals may now meet the requirements and apply to become credentialed as an ABV—without first obtaining a CPA practice license.

## OVERVIEW AND BENEFITS OF THE ABV CREDENTIAL<sup>1</sup>

According to the AICPA website, “the ABV credential is granted exclusively by the AICPA to CPAs and qualified finance professionals. The ABV credential gives valuation professionals an edge and sets them apart from others by arming them with the tools and resources needed to provide the best service to their clients and employers.”

The ABV credential essentially has two primary benefits or purposes:

1. Obtaining the credential demonstrates to prospective clients or employers that the credential holder has a certain level of competence and experience in the area of business valuation, in addition to adherence to strict professional standards, ethics, and guidelines.
2. Obtaining the credential grants access to a community of valuation professionals with similar interests and practices.

As discussed further below, the process for obtaining the ABV credential includes certain requirements such as (1) having a minimum amount of business valuation experience, (2) completing education, (3) having a bachelor's degree or equivalent, and (4) passing a professional conduct course as well as an exam.

In addition, ABV holders are required to abide by the AICPA Statements on Standards for Valuation Services ("SSVS"). SSVS outlines certain professional standards and acceptable practices when performing business valuation analyses.

Accordingly, simply by obtaining the ABV credential, a professional communicates to prospective clients, employers, and the public in general that he or she is qualified based on those accomplishments to perform business valuation assignments.

In addition, the ABV credential (through AICPA membership) grants access to a community of valuation professionals. For example, the AICPA offers more than 50 conferences and workshops annually, for which AICPA members and ABV holders are granted access at a significant price discount. There are also volunteer opportunities for various AICPA governing bodies, committees, or panels, which provide additional opportunities to build a professional network and demonstrate thought leadership.

## REQUIREMENTS OF THE ABV CREDENTIAL<sup>2</sup>

This section discusses the steps to take—and requirements needed—to obtain the ABV credential under the new guidelines. It focuses on the requirements for a non-CPA financial professional in light of the recent modifications to the ABV credentialing process.

First and foremost, because the ABV is offered through the AICPA, potential candidates are required to become members of the AICPA to apply for the credential. For non-CPAs, this means becoming a non-CPA associate member of the AICPA. There are several ways to meet the criteria to apply for AICPA membership. For nonaccountants, a finance professional employed by a business valuation firm may be sponsored by a regular voting member of the AICPA.

Or, more broadly, any professional who is eligible to obtain an AICPA credential may apply for membership. That is, a professional who is presumably eligible to meet the requirements for the ABV cre-



dential may apply for non-CPA associate membership with the AICPA.

Beyond AICPA membership, the first requirement in the ABV credentialing process relates to education and experience. All non-CPA candidates applying for the ABV credential are required to hold a bachelor's degree or equivalent from an accredited college or university, as well as complete the AICPA professional "Conduct and Standards Education for Finance Professionals" course.

In addition, all candidates in the ABV program will complete 75 hours of valuation-related continuing professional development within the five-year period preceding the date of the credential application. There are numerous routes to fulfilling the continuing professional development and education requirement, such as attending industry conferences; sitting in on business valuation webcasts, speeches, or panels; or taking self-directed continuing education courses.

The AICPA and other professional organizations (such as the American Society of Appraisers) offer numerous resources to further professional education and meet the 75-hour requirement.

There is also a business experience requirement to obtain the ABV credential. This requirement for non-CPA members is much stricter than for CPAs—non-CPA candidates are required to obtain a minimum of 1,500 hours of business valuation experience within the five-year period preceding the date of the credential application, whereas CPA candidates are only required to obtain 150 hours of experience over the same period.

In general, there are typically three venues through which an ABV candidate may obtain the requisite business experience:

1. via the public accounting and/or consulting sector,
2. via the business and industry field, or
3. via academia.

Some examples of relevant work experience include performing valuation services as an employee of a financial services firm, performing valuation services for litigation or arbitration, or serving as an instructor teaching relevant business valuation materials.

Finally, in order to be accepted for the ABV credential, a candidate must pass the ABV examination: a two-part, modular exam consisting of a 3.25-hour, 90 multiple-choice question test per exam module. The exam modules may be taken separately, but must be passed within 12 months to receive credit, and the exam is offered both online in a proctored environment or in-person at one of 300 locations nationwide.

Of particular note, there are certain other professional credentials which allow a candidate to skip the ABV examination requirement. That is, holders of the (1) Accredited Member (“AM”) credential through the American Society of Appraisers, (2) ASA credential through the American Society of Appraisers, (3) Chartered Financial Analyst (“CFA”) credential through the CFA Institute, or (4) the Chartered Business Valuator (“CBV”) credential through the Canadian Institute of Chartered Business Valuators are not required to take the ABV exam as part of the credentialing process.

The requirements discussed above illustrate the competency that a professional must demonstrate to even be considered eligible for the ABV credential. The idea being that, by meeting the above requirements, a professional has:

1. demonstrated a significant amount of experience performing valuation work,
2. obtained a significant amount of valuation-related education,
3. demonstrated a commitment to professional ethics and standards, and
4. proved a certain level of knowledge with regard to valuation analyses.

Once the above requirements are met, a candidate may then fill out the application form and be eligible for consideration for the ABV credential.

## IMPLICATIONS OF EXPANSION OF THE ABV CREDENTIAL

According to the AICPA website, the new eligibility was approved because “expanding eligibility for the

ABV credential helps promote consistency, quality, and transparency in the valuation marketplace.”<sup>3</sup>

CPA led-firms and other professional firms are looking for a single organization that can provide appropriate training, credentialing, and ongoing support for their employees. In the past, that function through the AICPA ABV credential was limited to CPAs, but is now more comprehensive and allows access to other qualified professionals.

On its surface, the decision by the AICPA to expand the ABV credential to non-CPA financial professionals makes intuitive sense. According to a study published by Business Valuation Resources in 2012, of the surveyed business valuation practitioners, less than 30 percent held a CPA certification.<sup>4</sup> In other words, a significant majority of financial professionals performing business valuation assignments are non-CPAs.

That is, for many years, the ABV credential was limited to a relatively small subset of professionals within the business valuation profession. It is somewhat peculiar to have a credential that is practically inaccessible to over 70 percent of the professionals who regularly perform the types of analyses that the credential caters to.

Accordingly, while other well-recognized business valuation or financial credentials, such as the ASA credential or CFA credential, are open to a wide range of business professionals to meet the various requirements, the ABV was one of the few limited to those who have a very specific type of license and education (i.e., accounting).

Through the modification to the ABV credentialing process, the AICPA is attempting to expand the offering to be more inclusive, as qualified business valuation practitioners often come from a variety of professional fields and backgrounds, in addition to accountancy. The change gives qualified business valuation professionals another option when choosing which credential or credentials he or she would like to pursue to demonstrate success in the business valuation profession.

Another anticipated side effect will simply be the increased knowledge and experience of professionals within the business valuation profession and increased positive perception of the profession in general. As discussed above, the ABV credentialing process involves numerous requirements for education, experience, ethics, and business valuation competence.

Accordingly, by going through the rigorous process and meeting those requirements, a professional will become more knowledgeable and better equipped to perform quality business valuation analyses.

More professionals with the ABV credential means more professionals with relatively greater knowledge and experience, which leads to higher quality work products, happier clients, and a more positive perception of the business valuation profession.

Finally, from a practical standpoint, expanding the ABV credential to non-CPAs will likely have the indirect effect of increasing both the awareness of the ABV credential and the membership and network reach of the AICPA.

In other words, there will likely be more applicants and professionals that will obtain the ABV credential, which will increase public awareness of the credential and the benefits it provides. And, by increasing the community of AICPA members, there will be increased networking potential within the AICPA as well as increased resources to help members further develop.

However, despite some of the potential positive impacts discussed above, there are many professionals who have expressed concern with the AICPA decision to expand the credential to non-CPAs.

On June 18, 2018, less than a month after the AICPA announced its decision, various licensed or retired CPAs published an open letter criticizing the AICPA decision to change the certification credentialing process.<sup>5</sup>

The open letter was signed by a number of prominent ABV holders who are also CPAs and urged the AICPA to reconsider the decision and change the credentialing process back to what it was prior to the expansion.

The letter takes strong positions that, by expanding access to the credential to non-CPAs, it will (1) dilute the credibility of the credential, (2) confuse the public, (3) harm the reputation of CPAs, and (4) impact the financial well-being of current and future CPAs who practice business valuation by helping non-CPA appraisers to better compete, among other criticisms.<sup>6</sup>

Further, in a survey of nearly 2,000 professionals, approximately 94 percent of respondents were not in favor of the AICPA changing the ABV criteria to admit non-CPAs.<sup>7</sup>

However, nearly all of the survey respondents were also CPAs and most were current ABV holders, so the strong negative survey response is somewhat unsurprising given the previously discussed open letter and issues that CPAs have cited with the change in the credentialing process.

The survey also allowed respondents to comment, and the most prevalent remark was that the



survey participants felt that the change to the ABV credential will dilute both the CPA and ABV brands and put the AICPA high ethical and professional standards at risk.

Many respondents stated that they worked hard to achieve the CPA and ABV credentials and some felt betrayed by the change that will allow non-CPAs to “piggyback on [their] good name.”<sup>8</sup>

A small percentage of the survey respondents agreed with the AICPA decision, stating that a CPA designation is not necessary to provide quality business valuations and that there are many well-qualified non-CPAs who should be welcomed as members of the AICPA.

In response to the above criticism, the AICPA responded with a statement explaining that one reason for the change was due to recognition that many qualified accountants or financial professionals perform business valuation work, but do not plan to perform audits or sit for the CPA exam.

The AICPA believes that expanding the credential will “not only help maintain the high professional and valuation standards established by the AICPA but will help elevate the entire valuation profession,” and that opening up the credential, which has extensive eligibility requirements discussed above, is “preferable to having those qualified professionals seek a less rigorous credential in valuation.”<sup>9</sup>

Ultimately, the points made in the open letter and survey responses described above are understandable. It is understandable that CPA/ABV holders are concerned at the lack of transparency and seemingly quick decision by the AICPA to institute such a major change in an important credential.

And, it is understandable that current CPA/ABV holders may feel threatened both by the potential dilution of the credential or a sudden influx of new

professionals who obtain the credential, thus making it potentially appear somewhat less exclusive or elite.

After obtaining any professional credential, it is reasonable to be concerned when the credentialing organization seemingly lowers the barriers or requirements to obtain the credential or makes it seemingly easier for others to obtain the same credential.

However, the criticisms also imply somewhat of a lack of faith in the process and requirements to obtain the credential. The underlying purpose of the ABV credential is for the individual who obtains it to demonstrate extensive experience, education, knowledge, and competency in the field of business valuation.

In other words, if a professional is able to meet those strict requirements, that accomplishment and demonstrable success should be validated and rewarded, regardless of any additional qualifications or certifications he or she may have.

And, the opponents of the decision may be able to take some solace in the fact that certain requirements, such as the amount of work experience needed, are significantly stricter for non-CPA applicants than for CPA applicants.

Much of the resistance from CPAs appears to presume that CPAs who currently hold the ABV credential are generally more qualified to perform business valuations than an otherwise prospective ABV holder who is not a CPA. Professionals hold the CPA license in high regard—rightfully so, as it is a long and rigorous process to obtain such a credential.

However, the disagreement surrounding the AICPA decision seems to imply that holders of the CPA license should be the only professionals considered qualified enough to also hold the ABV credential. Again, this implication is somewhat faulty, as there are numerous well-respected business valuation professionals who do not also hold a CPA license.

And, as previously discussed, CPAs represent a significant minority of the universe of business valuation professionals who perform valuation work on a day-to-day basis. It appears unreasonable to imply that only CPAs should be capable of becoming ABV holders or, to put it bluntly, that the 70-plus percent of valuation professionals who are non-CPAs are not qualified to hold the designation.

It is not so much that the AICPA has made it easier to obtain the ABV credential—in fact, if anything, the requirements are relatively more difficult for non-CPA applicants. Strictly because more professionals will have a chance to obtain the credential, that does not necessarily make the credential relatively less valuable or prestigious.

Instead, the decision simply grants a larger pool of qualified professionals the opportunity to go through the ABV process and demonstrate competency in the business valuation profession.

## SUMMARY AND CONCLUSION

The ABV credential is a well-recognized business valuation credential that demonstrates knowledge and experience in the field of business valuation. For over 20 years, the credential was limited strictly to CPAs, but the recent decision by the AICPA to expand it to non-CPA holders has made waves throughout the business valuation profession.

While there is no doubt that some non-CPAs who practice business valuation view this as a positive move for the profession as a whole and will take advantage of the new credentialing opportunity, current CPA/ABV holders are understandably wary of the impact it will have on the credential they worked hard to achieve.

Time will tell whether or not the recent changes to the ABV credential have a positive overall impact to the business valuation profession. And, given the strong reactions from the professional community, both positive and negative, it is uncertain whether or not the AICPA will make further modifications to the ABV credential in the near future.

### Notes:

1. Information obtained from the AICPA website ([www.aicpa.org](http://www.aicpa.org)).
2. Ibid. and the *Application Kit: A Guide to the AICPA Accredited in Business Valuation Credential*.
3. [www.aicpa.org](http://www.aicpa.org).
4. *BVR's 2011/2012 Business Valuation Firm Economics & Best Practices Guide*, Business Valuation Resources, 2012.
5. Dr. Michael Crain, "Open Letter from CPAs on the American Institute of Certified Public Accountants Change to Their Professional Certification in Business Valuation (ABV)," [www.medium.com](http://www.medium.com), June 18, 2018.
6. BVWire Issue #189-3, June 20, 2018.
7. BVWire Issue #190-2, June 18, 2018.
8. Ibid.
9. Ibid., #189-3, June 20, 2018.

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