

Appendix H

AREAS FOR CONTINUING PROFESSIONAL EDUCATION*

1. Cash Flow Valuation

- Analyze the Historical Performance of the Business
- Forecast Future Performance
- Estimate the Cost of Capital
- Estimate the Continuing Value
- Calculate and Interpret the Results

2. Specialized Valuation Skills and Training

- Security Market Options
- Research Techniques and Research Tools
- Company, Industry, and Economic Data Analysis
- Valuation Calculations and Conclusions
- Engagement Reporting
- Code of Professional Conduct and Professional Standards

3. Analysis of Financial Information

- Linkage between Purpose for the Valuation, Standard of Value, Ownership Characteristics, and Normalized Earnings
- Normalizing Earnings
- Sources and Uses of Industry Financial and Operating Data

4. Financial Forecasting

- Statistical Techniques: Simple and Multiple Regression, Time Series Analysis, Exponential Smoothing
- AICPA Prospective Financial Reporting Guidelines
- Determining and Documenting Significant Forecast Assumptions
- Company and Industry Data
- Sources and Uses of Economic Data

5. Estimating Cost of Capital (Discount and Capitalization Rates)

- Understanding the Sources and Limitations of Data
- Security Market Line
- Market Efficiency
- Theoretical Underpinning of Discount and Capitalization Rates:
 - Capital Asset Pricing Model
 - Multi-Factor Models
 - Difference and Similarities of CAPM and the Build-Up Method
- Sources of Small-Firm Risk Premiums, Firm-Specific Risk Premium and Other Adjustments to Cost of Capital - When and How
- Beta:
 - Understanding the Sources and Calculations, R-squared and Other Potential Limitations
 - Estimating Beta for Privately Owned Company, including Guideline Companies' Levered Beta (bL) and Guideline Companies' Proxy Unlevered Beta (bu)

6. Selecting and Evaluating Guideline Company Data

Screening and Selection Process

Goodness of Fit Issues

Guideline Companies: Data to Use and the Proper Use of the Data

Linkages between the Standard of Value, Purpose for the Valuation,

Selection of Guideline Companies and Specific Data

Court Cases Involving Acceptance and Rejection of Guideline Company Data

7. Determining the Proper Valuation Discounts or Premiums

Reasons for Discounts and Premiums such as Marketability and Control Issues

Standard of Value, Purpose for the Valuation, Ownership Issues, and the

Proper Usage of Discounts

The Sources for Estimating Discounts such as: Identifying and Understanding

the Empirical Research of Liquidity and Control Issues

Methods used to Select and Apply Proper Discounts

8. Linkages between Approaches, Standards of Value, Purpose of Valuation, and Discounts

Income Methods

Market Methods

Asset Based Methods

Liquidity and Marketability Issues

Control and Minority Ownership Positions

Fair Market Value, Investment Value, Fair Value

9. Entity and Specialized Industry Issues

ESOP Companies

Family Limited Partnerships

Medical Practices

Professional Service Business

Other Service Businesses

Start-Up, Research and Development (R&D), or Technology-Based Businesses

Initial Public Offering (IPO) Candidates

Merger and Acquisition (M&A) Valuation Engagements

Real Estate or other Holding Companies

Specialized Industries (Construction, Retail, Restaurants, etc.)

10. Report Preparation and Engagement Administration

USPAP Reporting Standards

Proper Documentation of Research

Presentation of and Support for the Valuation Conclusion

Sufficient and Competent Evidential Matter

Guidelines for Work paper and Supporting Documentation

Engagement Letters and Letters of Representation

11. Litigation and Dispute Resolution Services

Rules of Evidence

Qualification of Experts

The Role of the Consulting Expert and Testifying Expert
Depositions and Court Testimony

**12. Attendance at Annual AICPA Conferences and Conferences of
Other Professional Organizations Containing Valuation-related Topics.**

****Note: This is not an all inclusive list nor specific titles, but subject areas that may be offered through the AICPA, State Societies, or other appraisal organizations.***

Appendix I

ADDITIONAL SOURCES OF STUDY (2006)

Core BV Reference Books

- *Understanding Business Valuation: a Practical Guide to Valuing Small to Medium Sized Businesses* by G. Trugman; 2nd Edition
- *Valuing a Business* by S Pratt, R Reilly, and R.Schweihs; 4th Edition
- *Financial Valuation: Application and Models* edited by J. Hitchner; 1st Edition

Supplementary Reference Books

- *CCH Business Valuation Guide* by G. Hawkins and M. Pashall; updated annually
- *Business Valuation Body of Knowledge: Exam Review and Professional Reference* by S. Pratt; 2002
- *Cost of Capital: Estimation and Applications* by S. Pratt; 2002
- *The Market Approach to Valuing Businesses* by S. Pratt; 2001
- *Competitive Strategy: Techniques for Analyzing Industries and Competitors* by M. Porter; 1998
- *Statistical Techniques in Business and Economics* by R. Mason, D. Lind, and W. Marchal; 2005

AICPA publications and pronouncements related to business valuation

- Consulting Services Division. 2003. *AICPA Consulting Services Special Report 03-1— Application of AICPA Professional Standards in the Performance of Litigation Services*
- Consulting Services Division. 1996. *AICPA Consulting Services Practice Aid 96-3 - Communicating in Litigation Services: Reports*. 1996. New York: AICPA. Product No. 055000.
- Consulting Services Division. 1993. *AICPA Consulting Services Special Report 93-2 - Conflicts of Interest in Litigation Services Engagements*. 1993. New York: AICPA. Product No. 048563.
- Frank, Peter B., & Michael J. Wagner. 1993. *AICPA Consulting Services Practice Aid 93-4 - Providing Litigation Services*. New York: AICPA. Product No. 055145.
- Miller, Warren D. 1999. *Assessing Unsystematic Risk: Part I*. *CPA Expert*, Vol. 5, No. 3