

# ARM E-Journal™



OFFICIAL PUBLICATION

ASA Appraisal Review &  
Management Discipline

## FEATURED ARTICLES

***USPAP: Requirements  
for Clear, Accurate, and  
Conspicuous Disclosures***

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***Redundancy in Appraisal  
Review Reports: Say  
Something Once, Why Say  
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***Finding an MTS Appraiser  
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## Spotlighting Report Writing & Management



This month we have articles from a broad range of well-known ASA members. Key topics this month are review report writing and appraisal management.

### **R. Lee Robinette, ASA**

*USPAP Requirements of Appraisal Review Practice (Part 2)*

This article, focusing on Standard Rule 4, is the second of two articles that discuss appraisal review requirements set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) for appraisal reviews.

### **Barry J. Shea, ASA, ARM, IFA**

*USPAP: Requirements for Clear, Accurate, and Conspicuous Disclosures*

This article discusses what “clearly, accurately, and conspicuously” means in the context of USPAP reporting standards: Standards 2, 4, 6, 8, and 10.

### **Jo Crescent, ASA, ARM**

*Redundancy in Appraisal Review Reports: Say Something Once, Why Say it Again?*

Expert witnesses have become critically important to the litigation process in recent years. This article suggests some considerations when writing appraisal review reports that will be read by judges and other distracted readers who may not be intended users.

### **Alex Rudin, ASA, ARM**

*Finding an MTS Appraiser for Business Valuation Assignments*

Because BV appraisers and MTS appraisers may have only rudimentary knowledge about the other discipline’s appraisal processes, cross-discipline assignments can produce a significant possibility for miscommunication and unnecessary frustration. This article addresses that knowledge gap and other issues for BV appraisers working with MTS appraisers.

### **Paul Leung, ASA, ARM, MRICS**

*Comparing China Appraisal Services to the Canadian Appraisal Industry*

As the Chinese economy continues to grow, curiosity about the valuation practices of the isolated giant continues to grow with it. An ASA shares his experience with appraisal work in China and Canada.

*Jack Young*

*Jack Young, ASA, ARM, CPA  
ARM Publication Chair and ARM  
E-Journal™ Editor  
ASA 2021-2022 Appraiser of the Year*

# ARM E-Journal™

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## The Future of the Profession is Here



No matter your appraisal specialty, knowing how to prepare, manage, report and defend your value conclusions are critical!

Recognizing this, the ASA ARM Discipline

Committee has invested significant time over the past three years updating its *Principles of Valuation (POV)* courses, as well as expanding its related credentialing programs. Today the discipline offers multiple pathways for designated ASA members, non-member practicing appraisers, allied professionals like CPAs and attorneys, and other users of appraisal services to get the professional development and recognition needed to protect and further their practice or career.

Here's a quick snapshot of available ASA ARM offerings:

### **ARM Classes**

ASA's ARM educational offerings cover a range of topics from foundation-building Principles of Valuation (POV) courses to advanced curriculum on specialized topics. Courses are offered in a variety of formats to meet the needs of busy and discerning students - choose from self-study, live virtual, traditional in-person, or a blended learning experience.

### **ARM Credentialing Programs**

ASA offers an ARM AM & ASA, an additional ASA Designation in ARM and the ARM Certificate of Completion.

### **ARM Events**

In addition to hosting the profession's main event, 2023 ASA International Appraisers Conference, 10/1-3/23 to be held in New Orleans, LA, ASA also supports the FEWA 2022 Applied Expert Witness Skills Virtual Summit, 10/10-11/22, and the SEAK National Expert Witness Conference, 5/6-7/23 in Clearwater Beach, FL.

### **ARM Publications**

ASA offers two ARM publications, the monthly ASA-ARM Valuer and this quarterly ARM E-Journal.

### **ARM Discussions**

ASA offers all members exclusive access to the ARM Discussion Forum. Opt in here and start a conversation at: arm-discussion@list.appraisers.org.

### **ARM Volunteer Opportunities**

Are you an ASA rising star or veteran appraiser looking to help make a difference? There are many local chapter, discipline and national committee volunteer opportunities, including being a mentor. See opportunities here. Volunteer submissions due 1/1/23.

Discover for yourself why the future of the profession is here.

*Matt Kaufman*

***Matt Kaufman, ASA, ARM  
ARM Discipline Chair***



# Meet Your ARM Committee

**1. Matt Kaufman, ASA, ARM**  
Chair



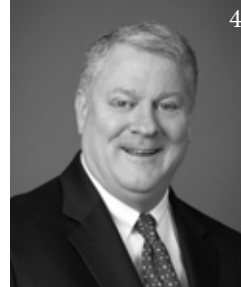
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**3. Melanie Modica, ASA, ARM, CFLC**  
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ARM Publication Reviewer



**6. Cameron R. Tipton, ASA, ARM**  
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ASA Conference Committee  
2022 ASA Rising Star



**7. Faisel Hoodbhoy**  
Member at Large



**8. Pamela Bensoussan**  
Member at Large  
2019 Chapter Member of the Year  
ARM Publication Reviewer



**9. Raymond Rath, FASA, CEIV, IA, ARM**  
Member at Large  
ARM Publication Reviewer



## Multidisciplinary Blind Spots



ASA's Appraisal Review & Management Discipline Committee is constantly monitoring trends and issues impacting the profession, particularly those with a multidisciplinary impact.

An outcome of this effort is the offering of a new webinar titled, "AR128 Removing Multidisciplinary Blind Spots", scheduled to air 10/26/22 with presenter, Dennis A. Webb, MAI, ASA, FRICS, Principal of Primus Valuations.

The purpose of this presentation is to shed light on blind spots that are generated when the valuation process requires significant knowledge of more than one discipline. Such blind spots are the inevitable consequence of specialization. Appraisers acquire very deep training and experience in one discipline, where they eventually know the right questions to ask, operating confidently and effectively; in that case, blind spots become rare. But all that takes considerable time and effort. What happens when the valuation occurs at the intersection of two or more disciplines? The benefits of deep training and experience in that joint space do not automatically exist, and the potential for unseen error is great.

This webinar begins with an overview of the kinds of fundamental differences that make interdisciplinary understanding a challenge, using examples from real property and

business valuation combinations. It then highlights circumstances, tools and processes that support practical solutions. Finally, a case study details the process for separating the real property and other assets that comprise a going concern. This case study was taken from an actual eminent domain proceeding that determined lost rent attributable to short-term interruption of an asset-heavy business.

Business valuers, real property and other asset appraisers whose work sometimes involves other disciplines will directly benefit from attending this offering.

This specialized webinar will cover the following topic areas:

### Overview

- Holding and operating real estate
- Holding company applications
- Operating company applications

### Real Property Appraisal Realities

- Value standards
- Bundle of rights
- Highest & best use

### Accommodating BV/RP Differences

- Brokered markets
- Data obscures the business
- Methods that work

### Accommodating BV/MTS Differences

- The valuation premise
- What's in and what's out



#### Professional Scope and Qualification

- Special-use properties
- Four qualification categories

#### Eminent Domain Case Study

- Introduction
- Facts & circumstances
- Valuation flow
- Valuation methods
- Filling in the numbers
- Rate development
- Conclusions

Upon completion of this webinar, attendees will be able to:

1. Identify the scope of appraisal roles in multidisciplinary assignments
2. Recognize blind spots created by embedded asset appraisal assumptions
3. Learn which approaches facilitate collaboration and which approaches kill it

4. Understand the fundamentals of asset allocation for a real estate-dominated business and its special-use property

To register, or for more information, visit [ASA online](#) or call (800) 272-8258.

Questions about ARM? Contact me at [Melanie@ModicaFineArt.com](mailto:Melanie@ModicaFineArt.com) or (713) 306-7966 and I'll be happy to share how the ARM designation is the best business decision you need to make—and the classes are FUN and ENJOYABLE—seriously!

*Melanie Modica*

*Melanie Modica, ASA, ARM, CFLC,  
ARM Education Subcommittee Chair*

## Welcome Our Latest ASA ARM Members



**Mary B. Reich, ASA, ARM, MGA®**

Mary received her ASA designation in 1996 in Gems and Jewelry.

She served as GJ discipline Chair, discipline governor on the ASA Board of Governors, and served as the vice chair for GJ to the Board of Examiners since 2009.

She is a co-developer and instructor for ASA PoV courses domestically and internationally and is an AQB Certified USPAP Instructor.

Mary traveled to Shanghai, China in May 2019 to teach ASA GJ216 (ASA's 10-day International Gems & Jewelry appraisal training class) to Chinese students at the Shanghai Better Jewelry Institute. View spotlight and photos [here](#).

She founded Gemologically Speaking in 2007 and is currently the senior partner and managing director.

She has been working in the jewelry industry since 1982.

Mary enjoys any time she can find outdoors, traveling, hiking, biking, camping and visiting friends.

[Connect with Mary today!](#)







### **Jennifer Carman ASA, ARM**

An ASA specializing in Personal Property (PP) and Appraisal Review and Management (ARM), Jennifer Carman has been working in the appraisal profession for nearly 20 years, providing valuation services for Fine Art and Antiques/Decorative Arts of American, British, and European origin.

After completing an Art History Master’s Degree from the University of Glasgow and a Connoisseurship program at Christie’s Education in London, Jennifer began her appraisal career in 2003. Upon returning to her hometown of Little Rock, Arkansas, she heeded the advice of a museum colleague who suggested that she pursue accreditation as a personal property appraiser, and, shortly thereafter, she connected with the excellent mentorship (and friendship!) of Laurie Triplette, ASA, a Fine Arts Appraiser based in Oxford, MS.

In 2021, a book that she co-authored was published, *Arkansas Made: A Survey of the Decorative, Mechanical, and Fine Arts Produced in Arkansas through 1950* (University of Arkansas Press), which chronicles over 1,000 professional and cottage artists from the state.

Jennifer’s favorite leisure activities are reading, cooking vegetarian feasts for her friends, inventing craft cocktails, running, collecting art, eating cheese, and enjoying live music. She loves 80s music and is the founder of “dance club”– similar to a book club, but for friends who enjoy cocktails and dancing.

[Connect with Jennifer today!](#)



## Benefits of Multidisciplinary/Specialty

*Why savvy appraisers diversify*



ASA is the oldest global multidiscipline valuation professional organization. These key differentiators present many opportunities and advantages, especially when it comes to professional development.

Appraisers over the span of their career tend to become specialists in a particular asset class. Savvy appraisers take steps to mitigate risks by diversifying their expertise and expanding their reach of clients. ASA understands this better than anyone else. The Society is constantly at the forefront of providing offerings that cross disciplines, especially where natural synergies exist, like appraisal review, going concern, healthcare, inventory, tangible assets, and many others.

Taking steps early in one's career to diversify is a common recommendation by many senior appraisers, no matter whether one is an independent/sole practitioner or employed by a firm or practice. Looking forward at ASA's upcoming classes, there are multiple upcoming multidisciplinary/specialty educational classes/events, including these notable offerings specific to Appraisal Review Management:

- AR128 Removing Multidisciplinary Blind Spots  
10/26/22 | Virtual
- AR201 Appraisal Review & Management Overview & Development  
11/15-18/22 | Virtual

Other educational classes/events in other areas of appraisal science include:

- 2022 ASA Aircraft Asset Management Special Event  
10/15/22 | Daytona Beach, FL
- ME213 Valuation Principles to Value Healthcare Equipment and Facilities  
10/18-21/22 | Virtual
- ME201ACS Introduction to Machinery & Equipment Valuation (Aviation Specific)  
11/15-18/22 | Virtual
- BV101 Basic Fundamentals of Business Valuation  
12/12-14/22 | Virtual

In addition to diversified expertise and expanded client reach, both of which work to grow potential revenue streams, the benefits of pursuing multidisciplinary/specialty education include pathways to earning new designations offered by ASA and the increased recognition and respect these garner—particularly of importance to those seeking to expand into expert witness/litigation support work.

Don't put your practice or career at risk. Recession-proof your earning potential by taking an ASA multidisciplinary/specialty educational offering today! Register online or by calling ASA at (800) 272-8258.

*Johnnie White*

Johnnie White, MBA, CAE, CMP, CEO/EVP



# Better Manage Client's Risk Through Appraisal Review

Nobody understands the value and risks of your client's assets better than ASA. Which is why more appraisers, assessors, CPAs, bankers, attorneys, departments of governments or other users of appraisal services are turning to ASA for appraisal review support. ASA offers three pathways to mastering this critical differentiator. From a comprehensive credentialing or specialty designation program for practitioners to a certificate of completion program for allied professionals, ASA offers the advanced ARM training, credentialing and membership opportunities you need now!

***Get started today!***

***For more information visit [www.appraisers.org/ARM](http://www.appraisers.org/ARM),  
or contact [asainfo@appraisers.org](mailto:asainfo@appraisers.org) or (800) 272-8258.***



# USPAP Requirements of Appraisal Review Practice (Part 2)

R. Lee Robinette, ASA

**Abstract:** This is the second of two articles that discuss appraisal review requirements set forth in the *Uniform Standards of Professional Appraisal Practice (USPAP)*<sup>1</sup> for appraisal reviews. The specific standards in USPAP for appraisal review are *Standard 3: Appraisal Review, Development and Standard 4: Appraisal Review, Reporting*. The appraisal review standards are not discipline specific and address appraisal reviews for all forms of property. In the following paragraphs, direct quotations from USPAP (2020-2021) are in italics. This article does not contain the full text of Standard 4. While reading this article, you may find it useful to reference the full text in your copy of USPAP.

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<sup>1</sup> This article is based on the 2020-2021 Uniform Standards of Professional Appraisal Practice, Appraisal Foundation. The 2020-2021 edition of USPAP is effective through December 31, 2023.





## Appraisal Review in USPAP

Appraisal review standards are the only standards that do not address either a particular appraisal discipline, such as real property, personal property, or intangible property (business valuation); or a particular type of appraisal such as Mass Appraisal that is addressed in Standards 5 and 6. Mass Appraisal is only applicable to real property and personal property.

Appraisal review is unique because, unlike appraisal, the purpose and scope of work for a review does not always include an opinion of value. In many cases, an appraisal review focuses on something other than another appraiser's value opinion. An appraisal review, according to USPAP, is *the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment.*<sup>2</sup>

As defined, appraisal review involves the development of an opinion of the quality of work performed by another appraiser and is referred to as the work under review (WUR). While the WUR is the subject document for the appraisal review assignment, the scope of work for an appraisal review can vary.

<sup>2</sup> *Uniform Standards of Professional Appraisal Practice* (2020-2022), p. 3

The scope could be a limited, specific area such as USPAP compliance or adherence to the client's requirements or could focus solely on one aspect of a WUR, such as an approach to value. In other situations, the appraisal review could be a comprehensive analysis of the credibility of the WUR.

Unlike other USPAP development standards 1, 5, 7, and 9, which all involve the appraisal of a particular type of property, or in the case of Mass Appraisal, the use of a specific appraisal method, the developmental standards for appraisal review are applied to the process of review, not a type of property or appraisal method: *The subject of an appraisal review assignment may be all or part of a report, a workfile, or a combination of these, and may be related to an appraisal or appraisal review assignment.*<sup>3</sup>

Because the purpose of an appraisal review always includes something other than or in addition to a value opinion, Standard 4 requires the appraiser to state the purpose of the assignment. This requirement is unique to Standard 4.

An appraisal review, by definition, does not include the reviewer's own value opinion; however, the review assignment might call for both a review opinion (i.e., the quality of another appraiser's work) and an appraisal (i.e., the reviewer's opinion of value). In cases where the appraisal review assignment includes a value opinion – which could

<sup>3</sup> *Uniform Standards of Professional Appraisal Practice* (2020-2022), p. 26

## USPAP Requirements of Appraisal Review Practice (Part 2)

include simply agreeing or disagreeing with a value opinion stated in the WUR – the review assignment also includes an appraisal, defined by USPAP as *the act or process of developing an opinion of value.*<sup>4</sup> When the reviewer’s own opinion of value is included in the assignment, compliance with parts of the applicable development and reporting standards is required. Appraisal reviewers who are considering an appraisal review assignment that includes the reviewer’s own opinion of value should study Advisory Opinion 20, which explains a number of considerations, including how purpose and intended use affect scope of work.

### Standard 4

The four Standards Rules in Standard 4 address requirements of an appraisal review report. Standards Rule 4-1 addresses the general reporting requirements; Standards Rule 4-2 addresses the content of an appraisal review report; Standards Rule 4-3 addresses the signed certification that an appraisal reviewer is required to include in a report; and Standards Rule 4-4 addresses oral appraisal reviews.

#### *Standards Rule 4-1: General Reporting Requirements*

Reporting requirements for appraisal review in Standards Rule 4-1 are similar to the reporting requirements in Standards Rules 2-1, 6-1, 8-1, and 10-1.

Standards Rule 4-1(a) requires that a report *clearly and accurately set forth the appraisal review in a manner that will not be misleading.* Standards Rule 4-1(b) requires that the *report contain sufficient information to enable the intended user(s)*

*of the appraisal review to understand the report properly.* Standards Rule 4-1(c) requires that the review *report clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.*

The appraisal review reporting standards are similar to every other USPAP reporting standard: the requirement is that a report provide the intended users with sufficient clear and accurate information to understand the report properly.

#### *Standards Rule 4-2: Report Content*

Standards Rule 4-2 specifies the report content required by USPAP for an appraisal review report. Each of the Standards Rules 4-2(a) through 4-2(k) address specific content requirements and Standards Rule 4-2(d) includes four specific disclosures about the work under review. The requirements of Standards Rule 4-2(j) apply only when the assignment includes an opinion of value.

#### *Standards Rules 4-2(a) and (b)*

Standards Rules 4-2(a) and (b) are similar to the client, intended use, and intended user disclosure requirements contained in the other reporting standards.

Standards Rule 4-2(a) requires the appraisal reviewer *to state the identity of the client and state the identity of any intended user(s) by name or type.* In some cases, a client may wish to remain anonymous. In such cases, USPAP allows the appraisal reviewer to protect the client’s anonymity as follows, *if the client requests anonymity, state that the identity is withheld at the client’s request but is available in the appraiser’s workfile.*

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<sup>4</sup> *Uniform Standards of Professional Appraisal Practice* (2020-2022), p. 3

Standards Rule 4-2(b) requires the appraisal reviewer to *state the intended use of the appraisal review*.

#### *Standards Rule 4-2(c)*

Standards Rule 4-2(c) is unique to appraisal review with its requirement for the appraisal reviewer to *state the purpose of the appraisal review*. An article in the Fall 2021 ARM E-Journal issue<sup>5</sup> discusses the concept of *purpose* in appraisal review.

#### *Standards Rule 4-2(d)*

Standards Rule 4-2(d)(i)-(iv) require that the report *state information sufficient to identify* these four specific appraisal review elements:

- (i) *the work under review, including any ownership interest in the property that is the subject of the work under review;*
- (ii) *the date of the work under review;*
- (iii) *the effective date of the opinions or conclusions in the work under review; and*
- (iv) *the appraiser(s) who completed the work under review, or if the client has withheld their identity, state that the identity of the appraiser(s) has been withheld by the client.*

#### *Standards Rules 4-2(e) and (f)*

Standards Rules 4-2(e) and (f) contain requirements that are similar to the other reporting standards with (e) requiring the report to *state the date of the appraisal review report*. Standards Rule 4-2(f) requires the appraisal reviewer to *clearly*

*and conspicuously<sup>6</sup> state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results.*

#### *Standards Rules 4-2(g) and (h)*

Standards Rules 4-2(g) and (h) address two requirements that are also found in the other reporting standards. Standards Rule 4-2(g) requires the appraisal review report to *state the scope of work used to develop the appraisal review*.

Disclosure of the scope of work is required by all USPAP reporting standards. Standards 2, 8, and 10 provide two reporting options that have different scope of work disclosure requirements: an Appraisal Report is required to summarize the scope of work performed; a Restricted Appraisal Report is required to state the scope of work. The scope of work disclosure requirement for appraisal review is the same as for a restricted report: to state the scope of work.

Standards Rule 4-2(h) states that *when any portion of the work involves significant appraisal or appraisal review assistance, state the extent of that assistance*. The disclosure of significant appraisal assistance is also a requirement of the other four reporting standards. Note that disclosure of who provided that significant assistance (for an appraisal or appraisal review) must also be addressed in the signed certification required by Standards Rule 4-3.

#### *Standards Rule 4-2(i)*

Standards Rule 4-2(i) requires the appraisal review report to *state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement*.

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<sup>5</sup> Robinette, Lee, "USPAP Requirements of Appraisal Review Practice (Part 1)," ARM E-Journal, Vol. 5, Issue 2, Fall 2021, p 22.

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<sup>6</sup> See "Disclosures: Clear, Accurate, Conspicuous," Shea, Barry, in this issue of the ARM journal.

*“Appraisal review is unique because, unlike appraisal, the purpose and scope of work for a review does not always include an opinion of value.”*



This Standards Rule also includes a comment that specifies *the report must provide sufficient information to enable the client and intended users to understand the rationale for the reviewer's opinions and conclusions.*

#### *Standards Rule 4-2(j)*

Standards Rule 4-2(j) addresses the requirements for a review report when that report provides an opinion of value. In particular, it states that any *information, analyses, opinions, and conclusions* in the WUR that the reviewer accepts as credible may be used by the reviewer in developing an opinion of value.

Standards Rules 4-2(j)(i) - (iii) specify *the reviewer must:*

- (i) *state which information, analysis, opinions, and conclusions in the work under review that the reviewer accepted as credible and used in developing the reviewer's opinions and conclusions;*
- (ii) *if applicable, state the effective date of the reviewer's opinion of value;*
- (iii) *at a minimum, summarize any additional information relied on and the reasoning for the reviewer's opinion of value or review opinion related to the work under review.*

The comment on Standards Rule 4-2(i)(iii) states that an opinion of value may be included in the appraisal review report and does not require a separate report.

However, when an appraisal reviewer includes an opinion of value in an appraisal review report, that report is also an appraisal report and the information provided to support a different opinion or conclusion must match

the applicable reporting standard: Standard 2, 8, or 10, depending on the property type or discipline. For instance, reporting requirements and the scope of work disclosure requirement for an appraisal review with an opinion of value would include summarizing the scope of work performed—as for any appraisal report—instead of solely stating it is as allowed for appraisal review reports in Standards Rule 4-2(g).<sup>7</sup> Likewise, information supporting a reviewer's value opinion for a mass appraisal would comply with the requirements of Standards Rule 6-2.

#### *Standards Rule 4-2(k)*

Standards Rule 4-2(k) requires that the report *include a signed certification in accordance with Standards Rule 4-3.* Standards Rules 4-2(h) and 4-3 have requirements regarding the signed certificate.

#### *Standards Rule 4-3: Appraisal Reviewer's Certification*

Standards Rule 4-3 addresses the appraisal reviewer's certification. The certification requirements for an appraisal review are very similar to those for other appraisal disciplines and include requirements for disclosures of present or prospective interests in the property that is the subject of the work under review, any specified personal interest with respect to the parties involved, and disclosure of any prior services regarding the property that is the subject of the work under the review.

#### *Standards Rule 4-3(a)*

The certification required by Standards Rule 4-3(a) includes the same non-contingency statements as the certifications in other

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<sup>7</sup> Stating rather than summarizing the scope of work is also allowed in a Restricted Appraisal Report (Standards 2, 8, and 10).

## USPAP Requirements of Appraisal Review Practice (Part 2)

disciplines, as specified in the Management section of the Ethics Rule:

*An appraiser must not agree to perform an assignment, or have a compensation arrangement for an assignment, that is contingent on any of the following:*

1. *the reporting of a predetermined result (e.g., opinion of value);*
2. *a direction in assignment results that favors the cause of the client;*
3. *the amount of a value opinion;*
4. *the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or*
5. *the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.*

A disclosure as to whether the appraiser made a personal inspection of the subject property in the work under review is also required. This disclosure is not applicable to business or intangible asset appraisal assignments.

### *Standards Rules 4-3(b) and (c)*

Standards Rules 4-3(b) and (c) are similar to those for other disciplines. Standards Rule 4-3(b) requires that the name of anyone who provided significant appraisal or appraisal review assistance be stated in the certification, although the extent of that assistance can be addressed anywhere in the report.<sup>8</sup> Standards Rule 4-3(b) states that anyone who signs any part of an appraisal review report must also sign a certification.

### *Standards Rule 4-4: Reporting Results Orally*

Standards Rule 4-4 is the final rule in Standard 4. This rule regards the reporting of the results

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<sup>8</sup> USPAP Standards Rule 4-2(h)

of an appraisal review via an oral report and specifies that *to the extent that it is both possible and appropriate an oral appraisal review report must address the substantive matters set forth in Standards Rule 4-2*. This is the same requirement that is contained in Standards 2, 8, and 10. Mass appraisal does not allow for an oral reporting option.

## Conclusion

USPAP defines an appraisal review as the “act or process of developing an opinion about the quality of another appraiser’s work.”<sup>9</sup> An appraisal review is intended to provide information to the intended users about the credibility of the work under review. Standards 3 and 4 provide the framework and foundation for the process of developing and communicating that opinion.


Standard 4 addresses the content and level of information required of an appraisal review report. Standards Rule 4-2 contains specific information that the appraisal reviewer must include in an appraisal review report and serves as a checklist to the appraisal reviewer regarding report content.

If you are given the opportunity to perform an appraisal review assignment, it is important to remember that the Competency Rule applies and that the general development standards require you to *be aware of, understand, and correctly employ those methods and techniques that are necessary to produce a credible appraisal review*. Prior to agreeing to perform a review assignment, assess your competency by reviewing Standard 3 and Standard 4. [Use this link to review the ARM Committee’s Competency Statement.](#)

An appraisal reviewer’s close attention to these Standards Rules contributes to a critical

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<sup>9</sup> USPAP Definitions, p. 3



component of USPAP’s pervasive principle: to support public trust in the appraisal profession, which is largely self-regulating (real estate being the exception). Appraisal review is part of how the appraisal profession conscientiously develops and sustains public trust in the profession. Appraisal review educates the public and appraisal professionals regarding appropriate appraisal standards of care.

Using Standard 3 and 4 in the development of your review opinions and the content of your review report is critical. Using the appraisal review checklist designed as a tool for ARM Candidate Report Review, available [at this link](#), is strongly recommended.

ASA offers a number of ARM courses for appraisers who are interested in expanding their understanding and competency in appraisal review. For more information on ARM training or an ARM designation, visit the ASA ARM Appraiser site [here](#).

#### About the Author

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# USPAP: Requirements for Clear, Accurate, and Conspicuous Disclosures

By Barry J. Shea, ASA, ARM, IFA

**Abstract:** This article discusses what “clearly, accurately, and conspicuously” mean in the context of USPAP reporting standards: Standards 2, 4, 6, 8, and 10.





## Where are the Requirements for Clear, Accurate, and Conspicuous Disclosures?

USPAP has several requirements regarding disclosures that must be made clearly, accurately, and/or conspicuously. These requirements appear in the Jurisdictional Exception Rule and in the reporting standards (Standards 2, 4, 6, 8, and 10).

The Jurisdictional Exception Rule requires that any part of USPAP that is voided by law or regulation be “clearly and conspicuously” disclosed. Each reporting standard uses some combination of these terms several times. This article will use Standard 4 as an example; the requirements in parallel Standards Rules in Standards 2, 6, 8, and 10 are nearly identical.

Standards Rule 4-1(a) requires that each report “clearly and accurately set forth the appraisal review in a manner that will not be misleading.” Standards Rule 4-1(c) requires that the report “clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.”

Standards Rule 4-2(f) requires that all extraordinary assumptions and hypothetical conditions be stated “clearly and conspicuously.” When looked at together,

Standards Rules 4-1(c) and 4-2(f) mandate that all extraordinary assumptions and hypothetical conditions are disclosed clearly, accurately, and conspicuously. Standards 2, 8, and 10 for Appraisal Reports and Restricted Appraisal Reports include similar requirements.

Standards Rules under 2-2(b), 8-2(b), and 10-2(b) require specific clear and conspicuous statements for use in Restricted Appraisal Reports.

## What Do Each of These Three Terms Mean?

Clearly requires that the disclosure be made in a manner that is easily understood. Example: A driver pulls up to a T intersection and sees a “One Way” road sign with an arrow pointing to the left; there is another sign that warns “No Right Turn.” The signs make it clear that it is okay to turn left and not okay to turn right. On the other hand, a road sign that states “Road Closed to Through Traffic During Inclement Weather” (yes, that was seen on a road sign) is much less clear. At what point is the weather “inclement”? When a report makes a disclosure, it must be clear; the report cannot leave it open to the intended users’ interpretations.

Accurately requires a disclosure without misstatements, errors, or omissions. Consider, for example, a highway sign indicating a low-clearance overpass. Such a sign might say “Low Clearance” and show

## *USPAP: Requirements for Clear, Accurate, and Conspicuous Disclosures*

a height such as 12'6". As long as that 12'6" clearance is accurate, the driver knows that a 12'5" tall vehicle can safely go there, but a 12'9" vehicle better not try it. On the other hand, if the actual clearance is only 12'4" when the sign says 12'6" the inaccuracy can lead to an unfortunate outcome for the driver of that 12'5" truck.

When disclosures in an appraisal or appraisal review report are clear and accurate, any intended user who reads them should be able to understand them and read the report in its proper context.

USPAP also requires that certain conditions be disclosed conspicuously: the disclosure must be obvious and unavoidably noticeable. Going back to the road sign examples, those bright yellow signs along the side of the road are intended to be conspicuous. But what if untrimmed trees and brush along the side of the road obscure a sign from view?

Unless a driver was looking for such signs, there is a pretty good chance that they would go unnoticed; these inconspicuous signs would not provide warnings or instructions. Similarly, if required disclosures are buried in the boilerplate of a report, the intended user is likely to miss them and not be aware of information needed to understand the appraisal or appraisal review report.

### **How Should These Disclosures Be Made in an Appraisal Review Report?**

Those items that must be disclosed “clearly and accurately” must be clear (presented in a manner that will not be misunderstood) and accurate (presented with sufficient detail). An example might a statement in the appraisal review report such as: it is assumed that the work under review provided to the reviewer was the entire



report as prepared by the original appraiser. Any intended user reading this statement should understand the assumption that the reviewer has made.

The requirement for conspicuous disclosures means that the report must include that disclosure in such a manner that intended users will notice it if they read the report. One way to achieve this is to highlight the disclosure in a separate paragraph by using a bold, and perhaps slightly larger font. This could be placed in an Extraordinary Assumptions section of the report. For example:

**Extraordinary Assumption: The appraisal report provided to the reviewer had no Page 32; the Table of Contents indicates that the certification was on Page 32. It is assumed that an acceptable certification had been included in the work under review but omitted from the document provided for review. This use of this assumption might have affected the assignment results.**

The key is to be sure that all disclosures are clear and accurate. In those cases where USPAP calls for disclosures that are also conspicuous, make sure these disclosures are presented prominently enough that the intended user will see them without having to specifically look for them.

## How Should an Appraisal Report Be Reviewed in Light of These Disclosure Requirements?

Disclosures that do not meet the USPAP requirements in the specific reporting standard contribute to a misleading report. When reviewing an appraisal report, the appraisal review should be alert for vague, inaccurate, or easily overlooked disclosures that may distract from the credibility of the work under review. The appraisal reviewer should also be sure that the appraisal review report complies with any applicable disclosure requirements of Standard 4.

### About the Author

[Barry J. Shea, ASA, ARM, IFA](#), holds ASA designations in Real Property (RP) and Appraisal Review and Management (ARM), the IFA designation from the former NAIFA (now part of ASA), and the RA designation from the Mid-West Appraisers Association (MWAA). From 2001 through 2004 he was the NAIFA member representative to the Educational Council of Appraisal Foundation Sponsors (ECAFS) and 2001 through 2008 served as the NAIFA representative to The Appraisal Foundation Advisory Council (TAFAC), including a year as the Chair. From 2009 through 2016 he was on the Appraisal Standards Board of the Appraisal Foundation and served three years as the Chair. Barry is The Appraisal Foundation's trustee for the International Ethics Standards Coalition (IESC), currently serving as IESC vice-chair.





# Redundancy in Appraisal Review Reports: Say Something Once, Why Say it Again?

By Jo Crescent, ASA, ARM

**Abstract:** Suggestions from a litigation client provided guidance on writing an appraisal review report that considers a judge's perspective and compensates for distracted readers.



## USPAP and the Judge

For a court case before the Sacramento County United States Court of Appeal, we submitted an appraisal review report in classic CRAC format, as taught in ASA's ARM classes. Within the appraisal review report, we cited Standards Rules 3 and 4 of the Uniform Standards of Appraisal Practice (USPAP). In order to provide an overview of the analysis the appraisal review report would provide, we also cited the comment to USPAP Standards Rule 3-3 (a):

*Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review.<sup>1</sup>*

The attorney sent back the appraisal review report with just a few comments, one of which was to remind us that the judge would like to be the person who determined whether the report under question was adequate and reasonable. Judges are just like that, he reminded us. They don't like to be told what the verdict is.

We shook our heads. The review report narrative clearly stated (see above) that

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<sup>1</sup> 2020-2021 *Uniform Standards of Professional Appraisal Practice*, The Appraisal Foundation, p. 27. The 2020-2021 edition of USPAP is effective through December 31, 2023.

USPAP set the requirements for a credible appraisal report. But upon re-reading the report, we realized that wasn't repeated throughout. The connection with USPAP criteria rested upon one introductory statement. With the understanding that a judge may not be reading the entire report without interruption, that is clearly not the most practical narrative construction.

## The Unintended User

Judges are not usually listed as intended users in an appraisal or appraisal review report. Yet, as an article in a previous issue of the ARM journal reminded us:

*On a practical note, reviewers should consider that an unintended user could be the most important person reading the report and that an appraiser might want to keep that reader in mind when composing the report narrative.<sup>2</sup>*

Our client remarked that although a judge's job includes reviewing all material submitted in a case, that review may be more of a skim than an intense read. The judge may also read or revisit sections independently, not always remembering the initial context, especially if glancing at parts of a report during a hearing or trial. In such situations, it isn't reasonable to expect that any reader would retain consistent comprehension. It

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<sup>2</sup> Young, Jack, "Reviewing the Appraisal Scope of Work: The Problem to be Solved," ARM E-Journal, Summer 2022.

## Redundancy in Appraisal Review Reports

might be easy to forget that USPAP – not the appraiser or an individual appraisal reviewer – sets the criteria for acceptability of an appraisal report.

We hoped a simple and comprehensive edit would resolve the problem.

### Referencing USPAP

This particular appraisal review report had separate sections discussing four of the review criteria presented in the comment to USPAP Standards Rule 3-3 (a): completeness, adequacy, relevance, and reasonableness. To address our client's concern, we added the following phrase to introduce each section:

*Credible results, according to USPAP, must include...*

This would remind the judge that USPAP, not the appraisal reviewer, was determining the criteria for credible results. The report's conclusion also referenced USPAP, solidifying the connection:

*According to the USPAP Scope of Work Rule,<sup>3</sup> credible assignment results are supported by relevant evidence and logic to the degree necessary for the intended use. The document [WUR] does not meet accepted appraisal standards: it does not present relevant evidence and logic upon which to form a credible opinion. It lacks completeness, adequacy, relevance, and reasonableness.*

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<sup>3</sup> USPAP, p. 14.

### Conclusion

These changes satisfied the client. Although the Talking Heads may suggest one need not say something more than once,<sup>4</sup> some judicious redundancy may be helpful in reminding the trier of fact that while the judge may be the final word in court, USPAP is the adjudicator of what an appraisal report should be.

Considering the client's remarks, I wondered if it were possible to research judicial reading habits, but internet searches weren't satisfactory.<sup>5</sup> The lesson from this appraisal review report, though, does shed a brighter light on how appraisal reviewers might compose a more effective review report for court.

#### About the Author


Jo Crescent, ASA, ARM, is a partner and office manager at NorCal Valuation Inc. In addition to her ARM designation, she has taken several ASA Machinery and Equipment courses. She is content editor for the MTS journal and provided content editing for the current edition of *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*, published by ASA's Machinery & Technical Specialties Discipline Committee. This is her first byline in the ARM E-Journal.

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<sup>4</sup> Talking Heads, "Psycho Killer," Talking Heads 77, 1977.

<sup>5</sup> [https://www.americanbar.org/groups/judicial/publications/appellate\\_issues/2022/winter/reading-in-an-electronic-age-and-writing-for-electronic-readers/](https://www.americanbar.org/groups/judicial/publications/appellate_issues/2022/winter/reading-in-an-electronic-age-and-writing-for-electronic-readers/)





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# Working with MTS Appraisers for Business Valuation Assignments

By Alex Ruden, ASA, ARM

**Abstract:** Business valuation (BV) appraisers and machinery and technical specialties (MTS) appraisers may have only rudimentary knowledge about the other discipline's appraisal processes. Because of this there is a significant possibility for miscommunication and unnecessary frustration (and associated risks) in cross-discipline assignments. Some BV appraisers, for instance, may believe they know all there is to know about fair market value (FMV); MTS appraisers, however, understand that determining the appropriate definition of FMV in an appraisal depends upon various levels of levels of trade and service applications. Approach to value is another area of possible misunderstanding: BV appraisers tend to think the income approach is the answer to most valuation questions while MTS appraisers more often use the sales comparison or cost approach. The coordination of BV and MTS services can be of benefit to both appraisers and certainly to their clients. This article addresses some considerations of a BV/MTS multi-disciplinary assignment, mostly from the viewpoint of a BV appraiser, with some suggestions for MTS appraisers who are interested in working with BV appraisers.



## The BV Appraiser and MTS Support

The MTS appraiser's most obvious value in a BV appraisal is to assist in valuing an ongoing business enterprise such as a paper mill, refinery, mineral processing operation, food manufacturer, and so forth.

Despite the inevitable frequency of the BV/MTS appraisal partnership, no appraisal organization seems to offer cross-discipline education that addresses the appraisal process knowledge gap between BV appraisers and MTS appraisers,<sup>1</sup> or in fact, the gap between other multi-faceted appraisals such as BV and real property (RP), or MTS/RP. Nevertheless, good communication and a general understanding of each other's specialties allows appraisal professionals to work together.

When working with MTS appraisers, a BV appraiser should be aware that MTS appraisers can provide opinions of value under a wide variety of value premises including a variety of fair market values (FMV) such as FMV in continued use, with or without an assumption of adequate economic support, FMV installed, FMV removed, FMV in-exchange, or one of

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<sup>1</sup> ASA is finalizing a refreshed ME215 that will focus on performing machinery and equipment valuations for financial reporting purposes.

several liquidation values.<sup>2</sup> While many of these value definitions may not be appropriate for BV appraisals, which generally provide values for going concerns, some may be used as part of an assignment to, for instance, develop the tangible fixed asset FMV for an adjusted balance sheet technique in assignments such as a business breakup, a bankruptcy matter, a divorce, and so forth.

Is it important for BV appraisers to know how competent and experienced an MTS appraiser is in developing an opinion of value for continued-use scenarios? Yes! Consider how your BV reputation may suffer if you have hired an inexperienced MTS appraiser to help in the valuation of, for example, the tangible personal property of an ongoing business enterprise for Fair Value accounting, a federal income tax purchase price allocation, or to develop a capital contribution analysis in concert with the BV and RP (real property) appraiser. This could be a dangerous experiment in liability as significant errors may occur if the MTS appraiser does not understand or is unfamiliar with appropriate MTS levels of trade for BV service applications; and of course, in context of a cross-discipline assignment, the MTS appraiser must understand the basic appraisal, accounting, and finance logic involved. It is not sufficient, therefore, that the respective

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<sup>2</sup> See the extensive list of value definitions in *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*, 4th Edition (Reston, VA: American Society of Appraisers, 2020). This book is an excellent resource for the BV appraiser who works with MTS appraisers.

appraisers of each discipline understand the methodology of the other's discipline; appraisers must understand how the value concepts of each discipline *appropriately fit together* for the specific appraisal problem.

Of course, an MTS appraiser not experienced with continued-use or installed value appraisals can still be useful in many other BV situations. An example of this kind of appraisal assignment may be a for a commercial bakery that is being purchased by another firm for which the BV appraiser has been asked to develop the collateral value; a continued-use appraisal might still be needed for fair value accounting and the federal income tax purchase price allocation, as well as perhaps for insurance placement/proof of loss, or property tax determinations. The concern here is ensuring that the MTS value corresponds to the intended use of the business valuation. For example, no appraiser wants to find that an orderly liquidation value (OLV) was used for a non-OLV intended use such as federal income tax reporting!

The BV appraiser is then in the situation of finding an MTS appraiser who has a basic understanding of how a BV appraisal is developed and how to provide appropriate and useful information for such appraisals. At some point in the future, BV appraisers may be able to pinpoint MTS appraisers who have completed the ASA's ME215 course (currently in development).<sup>3</sup>

### Finding a BV-experienced MTS Appraiser

Finding a competent and qualified MTS appraiser might be as easy as asking a BV colleague for a recommendation. If more investigation is needed, the "find an

appraiser" function on the ASA website could be a good place to start. As of September 1, 2022, ASA's Machinery and Technical Services discipline (MTS) has 1,367 members, only 864 of whom are Accredited Senior Appraisers (ASA). Perhaps only some 20% of these MTS ASAs are adequately BV trained.

A BV appraiser looking for an MTS ASA can search geographically for MTS appraisers and may want to filter by the "Financial Services" industry. From the provided list, you can investigate further. Do they work for one of the Big 4, another major accounting firm, or large appraisal company? These MTS appraisers may be adequately trained and/or directed in preparing valuations for financial accounting purposes but may not be available for individual contracting. Also, working with a large corporation may not be practical or desirable for many BV appraisers (fee, structure, or conflict of interest reasons).

Many ASA MTS appraisers who manage their own business could be competent and available to work on individual BV assignments. How can a BV appraiser determine which of these appraisers have the experience and understanding of financial reporting to work on complex BV-related matters? You could focus your search to MTS appraisers who are multi-disciplined. Only 13 MTS appraisers have a BV designation; 22 have the Appraisal Review and Management (ARM) designation. Many MTS appraisers without a BV or ARM designation, however, may also be appropriately qualified so be prepared to widen your search if necessary.

Once you have chosen a few MTS appraisers who look promising, it's time for the management phase of the process: interviewing the MTS appraisers.

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<sup>3</sup>For information on ME215, see endnote 1.



## Interviewing an MTS Appraiser

The first step in interviewing MTS appraisers will be to discover if they are interested in the prospective assignment. You will probably need to provide a brief description of the project, including the type of machinery to be appraised, the intended use, and the deadline if known. Many MTS appraisers, especially those with the experience and education you are hoping for, will have several assignments already on their calendars. You will not want to waste your time, or theirs, interviewing for an assignment that they are not able to accept because of other commitments.

If the MTS appraiser expresses an interest in the project, ask about previous experience, education, and skills appropriate to the assignment. At this point, you might ask candidates to send you their professional qualifications, as well as possible work history on similar assignments.

If these qualifications seem adequate, you'll want to schedule an interview, either in person or a telephone/video call.

### Critical Questions

After cordial greetings you may want to review the appraisal problem in general before beginning the interview process. Because your intention is to determine the feasibility of offering an assignment opportunity not all of the below suggested questions may be necessary!

1. Can you give me a synopsis of your understanding of the accounting/financial/legal situation?
2. What is your experience in this appraisal problem area?

3. What value concepts and levels of trade options may be appropriate to consider for this appraisal problem?
4. Please offer your suggestions for appraising the tangible personal property in this situation.
5. What are the challenges that may occur in the context of possible value concepts and level of trade as related to the subject appraisal problem?
6. It seems to me that value concept *A or B* and level of trade *C or D* may be optionally appropriate for the appraisal problem. If that is so, what are the estimated relative fees and time frame for each? (You might instead ask for proposal to be submitted.)
7. Are there ancillary appraisal services that may be incorporated into the subject appraisal problem that may be appropriate from the perspective of being cost effective? (Or ask for a proposal to be submitted.)

### Optional Conversational Prompts

These questions/requests can provide additional insight if you feel it necessary or want to add some fun to the interview process:

1. Do you have any business valuation or financial reporting training? Please explain.
2. Do you have a business-oriented college degree?
3. Do you know the meaning of these acronyms?
  - MACRS
  - FASB
  - PCAOB
  - IVS
  - DCF
  - WACC
  - CAPM
4. Name 3 of the Big 4.
5. Explain the cash basis and the matching principle of accounting.

*“Consider how your BV reputation may suffer if you have hired an inexperienced MTS appraiser to help in the valuation...”*

6. How many business valuations have you coordinated/managed, incorporating tangible assets?
7. Have you received any training in the inter-relationship of business valuation work with intangible asset appraisal work?
8. What is terminal value?
9. Is it proper to utilize only one valuation technique to appraise a business?
10. When is it appropriate to value tangible assets at FMV removed vs. FMV installed?
11. What is meant by adequate economic support?
12. What is meant by bargain purchase?
13. How is an adjusted balance sheet business valuation technique developed?
14. What is meant by beta?

### Questions from the Candidate

You must also be willing to be interviewed by the MTS appraiser who may ask you to discuss the difference between replacement cost new and reproduction cost new, explain economic obsolescence with an example, elaborate on the concept of inutility, or enumerate some possible factors of functional obsolescence. The MTS appraiser may also want to discuss other foundational aspects of MTS appraisal analysis and methodology.

In addition to these technical questions, the MTS appraiser may ask what other appraisal disciplines will be involved in the process. If a RP appraiser is involved in the project, an MTS appraiser will understand the need for a coordinated inspection to ensure that no assets, such as trade fixtures or building fixtures, will be double-appraised or neglected. Some common overlaps between RP and MTS includes pavement or foundations; installed equipment such as irrigation, ventilation, and fire suppression

systems; refrigeration systems; and other attached items, the removal of which may cause damage to the real property or create health code violations.

## Working with the M&E Appraiser

After the research, the interview, the selection process, the offer, and acceptance, the BV appraiser and the MTS appraiser are working on a particular assignment for a particular client, possibly a lawyer or a CPA. The MTS appraiser has the appraisal skills the assignment needs and a satisfactory understanding of BV appraisal methodology and service applications. Both appraisers, and perhaps the RP or PP appraiser, meet with the client or prospect to figure out the optimal appraisal services for the assignment. A scope of work is determined, the contract signed, and work begins.

The BV portion of the assignment and the MTS portion are developing along the expected process within the planned timeframe. When value indications begin emerging, the appraisers involved in the assignment share such information as appropriate. Often the BV appraiser will need emerging MTS appraisal value information to run timely preliminary value estimates (capital contribution and/or level of economic support). There may be discussions concerning value concepts and/or levels of trade as the project progresses. These discussions may be agreeable and/or not; either is perfectly okay. Communication throughout the process is critical to the success of the project. Do not assume that at the final stages the BV work and MTS work will magically fit together. These cross-discipline value concepts inter-relate, possibly with one being dependent on the other's value information. Going "back and

## *Working with MTS Appraisers for Business Valuation Assignments*

forth” to assure that the value indicators from each discipline appropriately inter-relate is the only way to produce a coherent and credible appraisal report for the client. Again: communicate, communicate, communicate.

It is strongly suggested that the appraisers of each discipline in a multi-disciplinary project read each other’s working “draft” to assure that the value concepts appropriately inter-relate within the appraisal assignment. And yes again, it is appropriate for the appraisers to read the final documents of the other appraiser. Often the MTS appraisal is incorporated into and/or packaged with the BV appraisal; it can also be submitted separately, with each appraisal report referencing any other appraisal produced for the assignment.

### **Conclusion**

In addition to the satisfaction of producing a well-researched and coordinated complex appraisal assignment, a rewarding professional relationship can develop between appraisers of different disciplines.

It’s enjoyable to work closely with another appraisal professional when everyone is using their optimal skill sets toward a shared goal. A BV appraiser who has chosen wisely and communicated appropriately, will be surprised at the enjoyment derived from working with an MTS appraiser in a multi-faceted appraisal project. Be sure to pay promptly and offer attribution and credit in a timely and generous manner. A BV appraiser who has found an MTS appraiser to work with will want to keep the relationship pleasant and on-going.

#### About the Author

Alex Ruden, ASA, ARM, is designated in both Machinery & Technical Specialties and Appraisal Review & Management, a Georgia Certified General Real Estate Appraiser and a member of the Institute of Business Appraisers. He has been working on multi-disciplined BV/RP/MTS and fixed asset accounting assignments for over 45 years. Alex notes that his most fun and rewarding work involves cross-discipline assignments within his firm and with professionals within other firms. He is currently Business Valuation Assignment Coordinator with Southeast Appraisal.



The top half of the page features a background image of a magnifying glass with a grey handle and frame, positioned over a collection of business charts. On the left, there is a blue bar chart with a red line graph showing an upward trend. On the right, there is a light blue pie chart with segments labeled 10, 15, 20, and 30. The text 'Earn Yours Today' is centered over the magnifying glass in a large, black, sans-serif font.

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# Comparing China Appraisal Services to the Canadian Appraisal Industry

By Paul Leung, ASA, ARM, MRICS

**Abstract:** As the Chinese economy continues to grow, curiosity about the valuation practices of the isolated giant continues to grow with it. This article presents the experiences of a veteran appraiser who began his career in China and Hong Kong, as he looks into the major differences in the valuation assignment work from China and compares it with the assignments he completed in Canada.



## China: Corporate Appraisals

I have worked as an appraiser in Canada and in China and Hong Kong.

At the beginning of my appraisal practice, in the early 1990s, I worked for American Appraisal Hong Kong Ltd., which was the Asian-centric branch of the American Appraisal Associates whose main office was based in Milwaukee, Wisconsin. The company worked with businesses that aspired to be listed on stock exchanges. These companies needed appraisals to assist with their initial public offering (IPO): the process of offering shares of a private corporation to the public in a new stock issuance for the first time. An IPO allows a company to raise equity capital from public investors. In the mid-1990s, most private corporations or state-owned enterprises in China mainly focused on being listed on the Hong Kong Stock Exchange or New York Stock Exchange.

While with American Appraisal Hong Kong Ltd. I worked with the first petrochemical company as they took their corporation public in the Hong Kong and New York markets; we were tasked with preparing the appraisal assignment, which took us over six months to complete. The Milwaukee head office sent senior appraisers to assist with the assignment, and the project manager, Lee Hackett, FASA, ARM, FRICS, CRE,

to oversee the appraisal process. It was a multi-faceted assignment that involved land, buildings, machinery and equipment, and intangible assets.

Other types of assignments I recall from my time in China were joint-venture assignments, which comprised state-owned and foreign enterprises. These involved big Western enterprises—such as Black+Decker, Pepsi, Carrier, Pratt and Whitney, and Chrysler— that wanted to participate in the local China market,. These large businesses took advantage of the growing Chinese market, and each formed a joint-venture corporation to manufacture products in China for the domestic Chinese market.

Although our office was in Hong Kong, most appraisal assignments took place in mainland China, so appraisal teams were frequently in China for over a week or two before returning home; for larger assignments, we might stay over a month before returning to Hong Kong. I enjoyed these stays. The teams would consist of various appraisers with all types of backgrounds from diverse disciplines and were wonderful to work with.

## Canada: Insurance Appraisals

After many years in a fast-paced work environment, I decided to relocate to Canada for a lifestyle change and for my growing family. We moved to Canada in December 1998, an interesting time to move as winters

in Canada brought their own challenges. The weather was nothing like I had ever experienced anywhere before. Not only the weather was bracing: the culture shock was more challenging than any assignment previously.

In Canada, I had to start my professional career over. I went back to basics and started with what I was most comfortable with: insurance appraisal assignments. These included assignments from the public sector, healthcare industry, and sometimes small-scale market value assignments, although these were comparatively less common.

The company I worked with completed insurance assignments around the world, but the travelling for assignments involved significantly shorter trips than those taken to China. Most assignments were no longer than a week, except for international travels. I took multiple trips to Australia to appraise a newspaper print and aluminum ingot plant. This assignment brought me to Australia for the first time, a very interesting trip, to say the least. Over the years at this company, I had even more opportunities to travel internationally to fascinating new countries like Italy, Germany, Denmark, and many others. After 10 years focused on insurance appraisals, I had an opportunity to join a national accounting firm as an in-house appraiser/reviewer.

### Canada: Appraising for an Accounting Firm

This new position brought me back to market value assignments. The accounting firm mainly focused on financial reporting, litigation assignments, and asset-based lending assignments. My last 10 years of training and experience with insurance appraisal became *functionally obsolete*;

however, the exposure to the various industries became my strongest asset.

While there were many opportunities in China and Hong Kong, the assignments were not of the same caliber as my work in Canada. While in Canada, I was able to experience many different industries while working in my capacity as an equipment and machinery appraiser. I had the chance to network with many different people across numerous industries. It was my connections with other appraisers that granted me the opportunity to explore new growth with my appraisal license.

### Establishing CM Valuations Inc.

In 2018, I established my company, CM Valuations Inc., and after a few years, I expanded the services provided to my clients beyond the typical appraisals. As I was able to better connect with the clients and their appraisal needs, I began offering appraisal review services. I am excited to keep growing and expanding with the appraisal industry and cannot begin to predict the many changes that are to come.

#### About the Author

[Paul Leung, ASA, ARM, MRICS](#), has been working in the appraisal industry for over 30 years, primarily in the property, plant, and equipment sector. He has completed valuation and appraisal services on a broad range of personal property throughout North America, Europe, the Middle East, and Asia. Valuation of property, plant and equipment includes but is not limited to oil and gas, construction, manufacturing, mining & quarrying, agriculture and food processing, and forestry.





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