



Association of International Certified Professional Accountants
220 Leigh Farm Road
Durham
North Carolina, 27707-8110
United States of America

By email: yelena.mishkevich@aicpa-cima.com

15th August 2018

Dear Yelena,

Re: Working Draft of the AICPA Accounting and Valuation Guide

We are writing on behalf of the British Private Equity and Venture Capital Association (“BVCA”), which is the industry body and public policy advocate for the private equity and venture capital (“PE/VC”) industry in the UK. With a membership of over 700 firms, the BVCA represents the vast majority of all UK based private equity and venture capital firms, as well as their professional advisers and investors.

Most of our PE/VC members in the UK - and Europe generally - follow the International Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”) when valuing investments in portfolio companies. This is often required by investors in PE/VC funds and stipulated in fund limited partnership agreements. We believe that the AICPA Accounting and Valuation Guide (“Guide”) will be a complimentary tool for further guidance and examples that may be utilised by our members. We note the AICPA Guide recognises the IPEV Guidelines as other industry guidance, and understand future iterations of the IPEV Guidelines may refer to the AICPA Guide as well.

We welcome the opportunity to comment on the working draft of the AICPA Guide.

Feedback on the Guide

Overall, we consider the Guide to be useful for our members and codifies what is understood to be best practice. Importantly, the Guide specifies that it is not prescriptive, but instead meant as a tool to assist market participants in applying and interpreting best practice.

The Guide usefully provides clarification and interpretive guidance around considerations such as control premiums and minority/liquid discounts, and the unit of account, which can be difficult to interpret and apply. In particular, we support the Guide reiterating throughout that the valuation of any given asset should be based upon the facts as they exist at the valuation date and to always take context into consideration. We would also welcome commentary in the Guide on the potential effects of quantitative easing in the selection of the risk-free rate.

Usability for certain users

Although we are generally supportive of the guidance and examples, this level of detail along with the length of the Guide may make it less accessible for certain users. In particular, there is some concern that applying the Guide may be disproportionately costly and burdensome for smaller



PE/VC managers. For example, the Guide encourages the use of more complicated models such as option pricing models when valuing complex capital structures as opposed to a distribution waterfall, which would be costly for smaller firms. However, we acknowledge the Guide is not meant to be prescriptive in nature.

Consistency with the IPEV Guidelines

As noted above, the vast majority of our members apply the IPEV Guidelines and so from a UK and European perspective, there should not be inconsistencies in the valuation techniques and approach encouraged by both sets of guidelines. We understand the IPEV Board and the AICPA are working towards avoidance of such inconsistencies.

We would be happy to discuss the contents of this letter further with you.

Yours sincerely,

A handwritten signature in black ink that reads 'GK Manku' with a horizontal line underneath.

Gurpreet Manku
BVCA Deputy Director General & Director of Policy