



November 3, 2014

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street, NW
Washington, DC 20006

To Whom It May Concern:

On behalf of the 22,000 Designated members, candidates and affiliates of the Appraisal Institute, thank you for the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) Staff Consultation Paper on *Auditing Accounting Measurements and Fair Value Measurements*. As background, the Appraisal Institute is the largest professional association of real estate valuers in the world; is the largest publisher of real estate valuation related textbooks; and is one of the largest valuation related education providers in the world. Many individuals who have earned the prestigious MAI designation from the Appraisal Institute work for accounting firms and financial advisory and audit assistance firms.

We look forward to working with the PCAOB as it assesses and considers enhancements to audit standards relating to fair value measurements. Like others, we have witnessed a trend of increasing use of global financial reporting standards based upon fair values. Those financial statements deserve scrutiny by well qualified and trained audit staff who understand valuation principles and procedures, or who rely on specialists who do.

We have studied the Staff Consultation Paper, and we attended the Standing Advisory Group meeting held on October 2, 2014 in Washington, and we offer three broad statements:

1. Valuation is a diverse and mature profession with a distinct body of knowledge. The Appraisal Institute is a leading association within the profession, and we have roots that go back nearly a century. Through this, we hold a distinct body of knowledge that is tested by investors, government agencies, and the judiciary every day. As but one example, *The Appraisal of Real Estate, 14th Edition*, is a seminal publication that is utilized in most introductory courses in real estate valuation.
2. The valuation profession is highly specialized and certain specialties are more defined than others. For instance, real estate valuation is supported by a robust body of knowledge, has in place a licensing regime that is overseen by state regulatory boards, and is benefited by active professional societies that confer professional designations. By comparison, the realm of financial asset valuation is less mature and is considered an emerging field of discipline.
3. The fact that current auditing and accounting education includes very little about valuation is not because valuation education does not exist. To the contrary, there is a wide assortment of valuation related education in the marketplace today that is available to auditors and the accounting profession. A current course [catalog](#) and [schedule](#) illustrates the full breadth of education that is current available to the public.

One area of evolution within the valuation profession that the PCAOB staff should be aware of is the development of valuation review or "forensics." Over the past three decades, the valuation profession has witnessed the growth of a distinct discipline relating to appraisal or valuation review. Valuation review is supported by review standards that are enforced by licensing authorities in the realm of real estate valuation and by professional associations in most valuation specialties. In addition, valuation review has evolved to include a strong body of knowledge that includes courses on review theory, principles and case studies. This past year, the Appraisal Institute conferred its first appraisal review designations (the AI-GRS or General Review Specialist and AI-RRS or Residential



Review Specialist)¹. As the PCAOB looks at audit standards, we encourage the agency to review these programs and consider encouraging auditors to become familiar with such education programs.

Finally, recognizing the growing interest in valuation by investors and the financial community in general, the Appraisal Institute announced the formation of a subsidiary called the International Center for Valuation Certification (ICVC). The ICVC will confer cross-disciplinary valuation certifications to individuals who meet select criteria. The work of the ICVC mainly focuses on the realm of valuation for financial reporting or fair value measurements, making more widely available to the financial community the body of knowledge that exists in valuation.

We look forward to working with the PCAOB as it continues its review of fair value measurement issues. We would be happy to provide additional information or answer any questions about these or other valuation matters. Please contact Bill Garber, Director of Government and External Relations at 202-298-5586, bgarber@appraisalinstitute.org for more information.

Thank you again for the opportunity to comment on the Staff Consultation Paper.

Sincerely,

Ken P. Wilson, MAI, SRA

¹ More information on the review designations is available at <http://www.appraisalinstitute.org/reviewdesignation/>