

THE IBV™ GUIDE

Independent Business Valuations in Australia

Professional standards, independence and what you should expect from a credible independent Business Valuation.

WHY THIS GUIDE MATTERS

What should you expect from a credible independent Business Valuation - and which professional standards sit behind it?

This Guide turns the standards, independence requirements and professional expectations into practical guidance for business owners, accountants and advisers.

IN THIS GUIDE

A 15-minute route through what a credible independent valuation should look like

Read from start to finish, or jump straight to the issue that matters. Technical standards sit behind the Guide, but the language here is deliberately practical.

Business owner? Start with pages 3, 4, 6, 7, 12 and 13.

Accountant or adviser? Read the full Guide.

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Important context. Australia does not have one rulebook that applies to every person calling themselves a Business Valuer. The standards and requirements that matter depend on **who performs the valuation, its purpose and the engagement.** Page 4 makes this landscape simple.^{[1][4]}

EXECUTIVE SUMMARY

“ A credible independent Business Valuation is defined not only by the number it reaches, but by the independence, scope, evidence and reasoning that support it.

Independence protects the judgement; scope defines the work; evidence supports the analysis; transparent reporting makes the conclusion defensible.

If you remember only five things from this Guide, remember these

01

Independence is more than a label

The valuer must be able to reach and report a conclusion without influences that compromise professional judgement.^[1]
[3]

02

Scope matters

Different valuation services can involve different freedom, depth of work and evidence. The label alone does not tell you the scope.^[1][2]

03

A conclusion needs evidence

A credible valuation is supported by sufficient, relevant evidence and analysis - not merely a number or industry rule of thumb.^[1][4]

04

Judgement should be visible

The reader should be able to understand the material assumptions, methods, limitations and reasoning behind the conclusion.^[1][4]

05

Independent does not mean “low value”

Independence is about freedom from bias and advocacy. A genuinely independent conclusion may be high, low or exactly what the owner expected.



The expert habit

Do not ask only, “What is the valuation?” Ask: **Who produced it, on what scope, using what evidence, under what assumptions - and were they free to reach their own conclusion?**

For business owners: know what you are buying when you commission a valuation.

For accountants: distinguish the service type, evidence and reporting obligations.

For advisers: identify independence and scope issues before they become problems.

For decision-makers: judge the strength of the process, not just the final number.

PROFESSIONAL STANDARDS OVERVIEW

Which standards sit behind a credible independent Business Valuation?

You do not need to learn a list of acronyms. Start with three questions: **Who is the valuer? How is the valuation performed? Why is the valuation needed?**

For many private-business valuations, the first two layers provide the main professional context. Tax, certain corporate transactions and court matters can add the third.

1. WHO IS THE VALUER? - PROFESSIONAL RULES THAT MAY APPLY

CA ANZ · CPA Australia · IPA members

CORE STANDARD

APES 225 · Valuation Services

For APES Members, this is the core Australian valuation-services standard. It covers service types, independence where required or asserted, competence, evidence, reporting, documentation and fees.^[1]

SUPPORTING FRAMEWORK

GN 20 · APES 110 · APES 305

GN 20

explains scope and evidence;

APES 110

covers ethics and conflicts;

APES 305

supports engagement terms.^{[2][3][6]}

2. HOW IS THE VALUATION PERFORMED? - THE VALUATION FRAMEWORK

International benchmark

GLOBAL VALUATION FRAMEWORK

International Valuation Standards · IVS 2025

IVS provides a global framework for scope, bases of value, approaches and methods, data and inputs, models, documentation and reporting. IVS 200 addresses Businesses and Business Interests. Whether IVS is binding in a particular Australian engagement depends on adoption, professional obligations, regulation or the engagement itself.^[4]

3. WHY IS THE VALUATION NEEDED? - EXTRA REQUIREMENTS THAT MAY APPLY

Additional Australian context

TAX

ATO

Tax guidance emphasises professional standards, clear instructions, evidence, documented methods and assumptions, independence and non-contingent fees.^[5]

CORPORATE TRANSACTIONS

ASIC

For specified transactions, RG 111 addresses independent expert report content and reasoning; RG 112 addresses expert independence. They do not govern every private-business valuation.^{[7][8]}

EXPERT EVIDENCE

Courts

When a valuer gives expert evidence, the expert is not an advocate and must assist the Court impartially. Australian case law also requires the reasoning path from specialised knowledge to opinion to be exposed.^{[9][10]}

You do not need to memorise the standards. You need to know which framework applies to your valuation - and whether the valuer's process meets the professional expectations that follow.

THE PRACTICAL FRAMEWORK

The six foundations of a credible independent Business Valuation

The standards landscape can look complicated. For a business owner or adviser, these six foundations translate the technical framework into what you should actually expect from credible independent valuation work.^{[1][2][4]}

A CREDIBLE AND DEFENSIBLE VALUATION

INDEPENDENCE

01

Objective judgement. Conflicts considered. No advocacy where independence is required or asserted.

SCOPE

02

Purpose, subject, valuation date, basis and limitations are understood before the analysis begins.

COMPETENCE

03

Appropriate expertise, due care and specialist assistance when matters fall outside the valuer's competence.

EVIDENCE

04

Financial, non-financial and market evidence is gathered and assessed to support material conclusions.

JUDGEMENT

05

Methods, assumptions and evidence are evaluated professionally rather than applied mechanically.

REPORTING

06

The report makes scope, methods, assumptions, limitations and the conclusion clear enough to understand and challenge.

YOU DON'T NEED TO KNOW THE ACRONYMS. Whatever framework applies, these are the **six things you should expect** from credible independent valuation work.

KEY TAKEOUT

A credible valuation is not created by one formula or one acronym. It is created by a disciplined process that makes professional judgement traceable.

WHAT INDEPENDENCE REALLY MEANS

The conclusion must be free to go where the evidence leads

APES 225 says that when a valuation service requires independence or purports to be independent, the member must comply with its independence requirements and must not act as an advocate. Independence has both a **mind** and an **appearance** dimension.

[1][3]

01

Independence of mind

Can the valuer reach a conclusion without influences that compromise professional judgement, integrity or objectivity?

02

Independence in appearance

Would a reasonable and informed third party regard the valuer's integrity, objectivity and professional scepticism as uncompromised?

IN PLAIN ENGLISH

Independent does not mean “disagree with the owner”. It means no client, adviser, lender, buyer or other party gets to predetermine the answer.

COMMON THREATS WORTH ASKING ABOUT

Financial interest or close relationship

Does the valuer or firm have an investment, personal relationship or commercial connection that could affect - or appear to affect - objectivity?

Result-based remuneration

Is the fee linked to the conclusion or transaction outcome? APES 225 prohibits contingent fees where the valuation requires or purports to be independent. [1]

Recent involvement or self-review

Has the valuer recently worked inside the business or created material information or advice that they are now effectively assessing?

Advocacy or pressure

Is the valuer being asked to support a target number rather than determine value objectively?

A threat does not automatically mean independence is lost. It should be identified, evaluated and appropriately addressed. Some circumstances can be managed; others may require safeguards, a change of role or declining the engagement. ATO tax-valuation guidance and ASIC's independent-expert guidance reinforce the importance of genuine independence and freedom from a predetermined outcome. [3][5][8]

KEY TAKEOUT

The purpose of independence is not to produce a lower valuation. It is to produce a conclusion that can be explained and defended without advocacy.

NOT ALL VALUATIONS ARE THE SAME

The word “valuation” does not tell you how much work was actually performed

For members subject to APES 225, three valuation service types are recognised. APES GN 20 explains that they can involve materially different freedom, extent of work and evidence.^{[1][2]}

THE SIMPLE DIFFERENCE: Valuation and Limited Scope Valuation Engagements reach a **Conclusion of Value**. A Calculation Engagement produces a **Calculated Value** using agreed approaches, methods and procedures.^[1]

CALCULATION ENGAGEMENT

Agreed procedures

The member and client or employer agree the valuation approaches, methods and procedures to be applied.

Typical evidence profile: little or no evidence may be obtained for some significant matters under the APES GN 20 continuum.^[2]

LIMITED SCOPE VALUATION

Restricted professional freedom

The scope is limited or restricted, so the valuer is not fully free to perform all procedures they otherwise would consider appropriate.

Typical evidence profile: limited evidence for some significant matters.^{[1][2]}

VALUATION ENGAGEMENT

Broader professional freedom

The member is free to employ the approaches, methods and procedures a reasonable and informed third party would perform in the circumstances.

Typical evidence profile: evidence obtained for significant matters to support the conclusion.^{[1][2]}

Why choose a more limited scope?

Potential benefits can include less information burden, shorter completion time and lower professional fees.^[2]

What is the trade-off?

A more limited scope can be less suitable for the purpose, and the conclusion might have been different had broader work been performed.^[2]

KEY TAKEOUT

Cheaper and faster does not automatically mean poor quality. It may mean a different valuation service - and the user needs to understand the difference.

A VALUATION IS AN EVIDENCE EXERCISE

The conclusion comes last. Evidence comes first.

APES 225 requires sufficient and appropriate evidence to provide reasonable grounds that the report and conclusions are properly supported. APES GN 20 groups the work into four practical areas that translate well for any reader.^{[1][2]}

IN PLAIN ENGLISH

A valuer should understand **the business, its numbers, the risks behind those numbers and the market in which the business operates.**

External environment

- Industry and competition
- Economic conditions
- Regulation and market structure
- Relevant transaction environment

Financial evidence

- Historical performance
- Maintainable earnings
- Balance sheet and working capital
- Budgets and forecasts

Non-financial evidence

- Customer concentration
- Management and owner dependency
- Systems and transferability
- Risk and value drivers

Valuation context

- Basis and premise of value
- Approaches and methods
- Rates, multiples and inputs
- Reconciliation and conclusion

A useful external benchmark. The ATO's current market-valuation guidance says a professionally prepared valuation is better supported when it follows professional/industry standards, documents the process, identifies the subject and rights, explains the method and assumptions, and preserves the valuer's independence. That guidance is tax-specific, but the evidentiary discipline is broadly instructive.^[5]

KEY TAKEOUT

A professional conclusion should be the result of evidence and analysis - not the starting instruction.

A GOOD VALUATION STARTS WITH A CLEAR QUESTION

Ambiguity at the beginning becomes disagreement at the end

Good engagement terms make the valuation question explicit before calculations begin. APES 225 and APES 305 require members in public practice to document and communicate terms of engagement; IVS likewise places scope of work at the beginning of the valuation process.^{[1][4][6]}

1

Who is engaging the valuer?

Identify the client, intended users and any permitted reliance.

2

What exactly is being valued?

Business, shares, units, goodwill, a minority interest or another asset?

3

Why is it being valued?

Sale, tax, succession, restructure, financing or another decision?

4

At what date?

The valuation date determines the evidence and circumstances that matter.

5

What definition of value and operating assumption apply?

Market value or another definition? Is the business assumed to continue operating?

6

What scope and limitations apply?

Clarify the service type, restrictions, assumptions and information access.

Independence should be explicit

Where a valuation service requires independence or purports to be independent, APES 225 requires an engagement-document statement confirming independence and compliance with its independence requirements.^[1]

Scope may change

Under APES 225, a valuation engagement can become a limited-scope valuation if a material limitation or restriction emerges during the work.^[1]

KEY TAKEOUT

A clear engagement letter protects both the client and the valuer because it defines what the conclusion is - and is not - intended to answer.

THE REPORT SHOULD NOT MAKE YOU GUESS

A credible valuation report makes the important reasoning visible

APES 225 contains detailed reporting requirements for members, including the subject, dates, purpose, qualifications, scope, basis and premise of value, independence, methods, information relied upon, assumptions, limitations and conclusion.^[1]

What was valued?

The business, interest, security, intangible asset or other subject must be clear.

At what date?

Valuation date and report date should not be confused.

For what purpose?

The purpose shapes scope, evidence and intended use.

What definition of value is being used?

The basis and premise of value – including the assumed transactional circumstances – still matter.

Was the valuer independent?

The report should say whether the work was undertaken independently where relevant.

What information was relied upon?

Documents, interviews, expert reports and representations should be traceable.

What methods were used – and why?

The reader should understand the approaches, methods and how they were applied.

What assumptions matter?

Material assumptions and their basis should be visible.

What limitations apply?

Restrictions and qualifications that materially affect the result should be disclosed.

What is the conclusion?

The report should clearly state the conclusion of value or calculated value appropriate to the engagement.

IVS adds a global lens. IVS 101 addresses scope of work and IVS 106 addresses documentation and reporting. IVSC describes the General Standards as requirements covering the conduct of valuation assignments, including terms, bases of value, approaches and reporting.^[4]

KEY TAKEOUT

A valuation report should make the reasoning easier to understand - not use complexity to hide it.

THE CLIENT DOES NOT CHOOSE THE ANSWER

The client provides the facts. The valuer owns the conclusion.

An independent valuer still needs deep engagement with management. Independence is not distance from the facts; it is freedom to assess those facts and reach the conclusion professionally.

THE CLIENT'S ROLE

Provide the evidence

- Provide complete and accurate records
- Explain the business and commercial context
- Identify relevant events and information
- Review factual accuracy of draft material
- Provide representations where appropriate

THE VALUER'S ROLE

Own the judgement

- Determine the appropriate valuation approach and methods
- Assess the reliability and relevance of evidence
- Challenge assumptions and normalisations
- Exercise professional judgement
- Reach and communicate the conclusion independently

Australian benchmark: APES 225 contemplates written representations from clients or management about factual completeness, financial information and assumptions. Those representations support the evidence base; they do not transfer the valuation judgement to the client.^[1]

The same principle appears in Australian expert guidance. ASIC guidance and Australian court rules reinforce that an independent expert is **not an advocate**, and that the reasoning connecting the evidence to the opinion should be capable of being understood.^{[8][9][10]}

KEY TAKEOUT

Independent does not mean uninformed by the client. It means informed by the client without being directed by the client.

WARNING SIGNS

You do not need to be a valuer to ask whether the process looks credible

Use this quick audit to distinguish a transparent professional process from a conclusion that deserves more questions.

ASK	GOOD SIGN	WARNING SIGN
Independence	Conflicts considered; independence clearly stated where relevant.	A desired result appears to have been agreed before the analysis.
Fee	Professional fee is not contingent on the independent conclusion.	Fee is contingent on the valuation outcome or transaction success.
Scope	Service type, limitations and intended use are clear.	Simply called a “valuation” with no explanation of scope.
Evidence	Financial, commercial and market evidence is identified.	Owner estimate, unsupported forecast or generic multiple drives the result.
Risk & value drivers	Material non-financial factors are linked to earnings, risk, method or reconciliation.	Generic checklist with no connection to the conclusion.
Method	Method selection and reconciliation are explained.	“Industry multiple” is accepted without testing comparability.
Assumptions	Material assumptions are visible and supportable.	Critical judgement is buried or presented as fact.
Limitations	Restrictions and uncertainty are disclosed.	False precision despite weak information.
Report	A reader can trace how the evidence became the conclusion.	A number is presented with little explanation of why.

KEY TAKEOUT

The strongest report is not the longest report. It is the one in which the important judgement is visible, supportable and proportionate to the decision.

TEN QUESTIONS WORTH ASKING

A better appointment starts with better questions

You do not need to know valuation theory. These ten questions will quickly reveal whether the proposed engagement is clear, independent and evidence-led.

01 What experience do you have valuing businesses like mine?
Ask about the relevant asset type, industry and purpose.

02 What type and scope of valuation will you perform - and which professional standards will apply?
Do not accept "a valuation" as the whole answer.

03 What exactly will be valued?
Operating business, shares, units, goodwill or another interest?

04 What definition of value and operating assumption will apply?
Understand what "value" means in this engagement before interpreting the number.

05 How will you assess independence and conflicts?
Ask what relationships or incentives have been considered.

06 What information and evidence will you require?
A serious process should have a clear evidence plan.

07 How will financial and non-financial factors be analysed?
Ask how risk and value drivers enter the conclusion.

08 What market evidence will support the conclusion?
Comparable does not mean "same industry".

09 What will the report actually explain?
Methods, evidence, assumptions, limitations and reasoning should be visible.

10 Who can rely on the report?
Intended users and reliance restrictions should be understood before engagement.

ONE QUESTION THAT CUTS THROUGH EVERYTHING

"If someone challenged your conclusion, what evidence would you point to first?"

KEY TAKEOUT

The right valuer should be comfortable explaining the limits of the engagement as clearly as its strengths.

WHAT TO DO NEXT

Use this Guide to ask better valuation questions

Before commissioning or relying on an independent valuation, work through these six questions.

1 What decision will this value support?
Purpose drives the required scope and evidence.

2 Who needs to rely on this valuation?
Consider who will use the result and how significant or contestable the decision may be.

3 What scope is appropriate?
Match the depth of work to the significance, risk and intended reliance.

4 What evidence will be available?
Financial records, contracts, forecasts, management and market evidence all matter.

5 What limitations should be explicit?
Information gaps and reliance restrictions should be understood up front.

6 What would make the conclusion defensible?
Ask how the reasoning will be documented and communicated.

KEY TAKEOUT

Do not appoint a Business Valuer simply to obtain a number. Appoint one whose independence, scope, evidence and reasoning give you confidence in the conclusion.

CONFIDENTIAL FIRST STEP

Book a Free Valuation Conversation

Speak directly with a Certified Business Valuer about your purpose, the appropriate scope and what information would be required.

No obligation.

BOOK A FREE VALUATION CONVERSATION

1300 270 940

independentbusinessvaluations.com.au

IMPORTANT INFORMATION

Disclaimer, professional framework and selected references

IMPORTANT DISCLAIMER

This Guide provides general educational information only. It is not legal, tax, accounting or investment advice, and it is not a valuation of any specific business or interest. Professional standards apply differently depending on the valuer's professional membership, the engagement, jurisdiction and purpose. APES 225 and APES GN 20 apply to members within their stated scope; they are not presented here as legislation binding every Australian Business Valuer. IVS is an international valuation framework. Obtain advice appropriate to your circumstances.

SELECTED PRIMARY REFERENCES

[1] Accounting Professional & Ethical Standards Board. [APES 225 Valuation Services \(2024\)](#), effective for Valuation Services commencing on or after 1 January 2025. Used for Australian member obligations concerning independence, competence, engagement terms, evidence, reporting, documentation and professional fees.

[2] Accounting Professional & Ethical Standards Board. [APES GN 20 Scope and Extent of Work for Valuation Services \(2025\)](#), issued 16 January 2025. Guidance on scope, extent of work and evidence across the three APES 225 valuation service types.

[3] Accounting Professional & Ethical Standards Board. [APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) - current APESB compilation page](#). Used for the fundamental principles, conceptual framework, objectivity and independence concepts; the current compilation should always be checked at the date of use.

[4] International Valuation Standards Council. [International Valuation Standards](#), effective 31 January 2025, including IVS 100-106 and IVS 200 Businesses and Business Interests. Used as a global valuation-practice benchmark.

[5] Australian Taxation Office. [Market valuation for tax purposes](#). Tax-specific guidance concerning professional valuers, instructions, independence, documentation, methods, assumptions and evidence.

[6] Accounting Professional & Ethical Standards Board. [APES 305 Terms of Engagement \(2024\)](#), effective 1 January 2025. Used for engagement-document expectations applicable to members in public practice.

[7] Australian Securities & Investments Commission. [Regulatory Guide 111 Content of expert reports](#). Corporate-transaction guidance on the content, valuation reasoning, methodologies, assumptions and conclusions in independent expert reports.

[8] Australian Securities & Investments Commission. [Regulatory Guide 112 Independence of experts](#). ASIC guidance on independence of experts from commissioning and interested parties; relevant to independent expert reports in its regulatory context.

[9] Federal Court of Australia. [Expert Evidence Practice Note \(GPN-EXPT\) and Harmonised Expert Witness Code of Conduct](#). Requires expert witnesses to be impartial, not advocates, and to disclose the basis of their opinions when giving expert evidence in Court.

[10] Makita (Australia) Pty Ltd v Sprowles [2001] NSWCA 305; 52 NSWLR 705. [Leading Australian expert-evidence authority](#) emphasising the need to identify the specialised knowledge relied upon and explain how it is applied to the assumed or observed facts to produce the opinion.



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