

**MEMO# 31230**

June 1, 2018

## **AICPA Releases Working Draft of Accounting and Valuation Guide**

[31230]

June 1, 2018 TO: ICI Members SUBJECTS: Fund Accounting & Financial Reporting  
Valuation RE: AICPA Releases Working Draft of Accounting and Valuation Guide

The AICPA recently released for public comment a working draft of an Accounting and Valuation Guide, *Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies*.<sup>[1]</sup> The Guide is intended to provide guidance to investment companies and their advisers regarding valuation of, and certain aspects of the accounting related to, their investments in equity and debt securities issued by privately-held enterprises. The Guide is not intended as a detailed “how to” but, rather, to provide investment companies that invest in securities issued by privately-held enterprises with (a) an overview and understanding of the valuation process and the roles and responsibilities of the parties to the process and (b) best practice recommendations for complying with FASB ASC 946, *Financial Services—Investment Companies* and FASB ASC 820, *Fair Value Measurement*.

The Guide was prepared by the AICPA Private Equity and Venture Capital Task Force and was approved for issuance by the AICPA Financial Reporting Executive Committee. The Guide is nonauthoritative and is not meant to change any existing accounting guidance. Instead, it is intended to help interpret and apply existing fair value concepts consistent with FASB ASC 820, *Fair Value Measurement*. Comments on the working draft are due to the AICPA by August 15, 2018.

The Guide starts with an overview of the private equity and venture capital industries and their investment strategies. It then summarizes fair value measurement concepts described in FASB ASC 820, *Fair Value Measurement*. It also has chapters providing guidance on fair value concepts including: market participant assumptions; unit of account; and an overview of valuation approaches (*i.e.*, the market approach, income approach, and asset approach).

The Guide also has chapters addressing restrictions on transfer, calibration, back-testing, and factors to consider at or near a transaction date. The Guide also addresses frequently asked questions and includes appendices addressing documentation considerations and case studies. The Guide concludes with a glossary of terms commonly used in the context of fair value measurement.

While the Guide is nonauthoritative, it addresses many practice issues investment

companies have encountered in valuing securities issued by privately-held enterprises. A final version of the Guide is expected to be released in May 2019.

Gregory M. Smith  
Senior Director, Fund Accounting and Compliance

#### **endnotes**

[1] Working Draft of AICPA Accounting and Valuation Guide, *Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies* (May 15, 2018). The working draft is split into two documents: [Part I](#) [chapters 1-14] and [Part II](#) [appendices A-C and Glossary] are available at <https://www.aicpa.org/interestareas/frc/accountingfinancialreporting/working-draft-of-pe-vc-guide.html>.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.