



## Is Your CPA “Independent”?

---

It is important to be aware of the rules under which your vendors operate. With respect to business valuations, it is caveat emptor when you have your CPA prepare a valuation. Pursuant to the Securities and Exchange Commission's (SEC) recently issued amendments to Rule 2-01 regarding audit or Independence under the Securities Exchange Act of 1934:

*"...an [auditor] is not independent [of its audit client] if the accountant provides appraisal or valuation services or any service involving a fairness opinion."*

The SEC's logic is as follows:

*"[I]f an audit firm provides these services to an audit client, when it is time to audit the financial statements the accountant could well end up reviewing his or her own work, including key assumptions or variables suggested by his or her own firm that underlie an entry in the financial statements."*

Ultimately, the risk to your company can be expensive and time consuming, as the SEC, Department of Labor and/or the IRS may require you to retain an independent firm to prepare a new valuation after you already have paid for it once. Additionally, damages may be incurred as a result of the original valuation.