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Venture Capital Industry

The guide provides nonauthoritative guidance and examples for preparers of financial statements, independent auditors, and valuation specialists regarding the accounting for and valuation of portfolio company investments held by investment companies ...

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The [American Institute of CPAs](#) (AICPA) has issued guidance for investment companies on how to fair value their portfolio company investments. The accounting and valuation guide titled [Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies](#) is intended to harmonize views of industry participants, auditors and valuation specialists.

“This guide will provide these professionals with a common language understanding

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“Professional judgment plays such an important role in the valuation of private equity and venture capital investments, and, as a result, it is one of the core concepts addressed and illustrated throughout the guide,” said Mark O. Smith, JD, CPA, AICPA senior manager – forensic and valuation services.

The guide may also be useful for non-investment companies, such as corporate venture capital groups or pension funds, which make investments in similar types of portfolio companies and pursue similar strategies (however, the numerous and varied aspects of these non-investment entities were not considered or contemplated in the preparation of this guide.)

This guide:

- Addresses accounting and valuation issues that have emerged over time (such as unit of account, transaction costs, calibration, the impact of control and marketability, and backtesting) to assist investment companies in addressing the challenges in estimating fair value of these investments.
- Includes 16 user friendly case studies that can be used to reason through real situations faced by investment fund managers, valuation specialists and auditors.

The guide was developed by the AICPA PE/VC Task Force, which includes members from the PE/VC industry, auditors, valuation practitioners, and AICPA staff.

Accounting • Auditing

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