

# Valuation of privately-held-company equity securities issued as compensation

## AICPA - ACCOUNTING AND VALUATION GUIDE VALUATION OF PRIVATELY HELD COMPANY EQUITY SECURITIES ISSUED AS COMPENSATION



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### ACCOUNTING AND VALUATION GUIDE VALUATION OF PRIVATELY HELD COMPANY EQUITY SECURITIES ISSUED AS COMPENSATION

It brings you practical guidance and illustrations related to accounting, disclosures and valuation of privately held company equity securities issued as compensation. Current value of the firm might be estimated with a discounted cash flow method or market methods for later-stage firms or inferred from a recent financing transaction using the backsolve method for early-stage firms.

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This edition includes guidance from FASB ASC 718, 505-50, 820-10 and the Statement on Standards for Valuation Services which were all issued since the last AICPA guidance dedicated to this issue. Also, issuances of shares in exchange for assets for example, SAB 48 transactions would not be considered nominal issuances, unless the fair value of the assets is nominal.

#### Valuation Methods for Private Company Equity

Valuation Methods for Private Company Equity-Based Compensation Equity-based compensation has been a key part of compensation plans for years.

#### Valuation of Privately

Further, the OPM considers these factors as of the future liquidity date, rather than as of the valuation date. Next, future equity value under each scenario is estimated and allocated to each share class. First, the CVM could be employed when a liquidity event is imminent such as a dissolution or an acquisition.



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