

WORK FILE CHECKLIST

Minimum MPF Requirements for Contributory Asset Charges

The valuation professional, at a minimum, must document the following in writing within the work file, if applicable:

- The identification of all the contributory assets required to support the subject intangible asset that is being valued. In addition, an explanation should be provided if an intangible or tangible asset was valued in the business combination analysis but not included as a contributory asset. The following specifics should be provided, along with rationales for their selection when appropriate:
 - Working capital:**
 1. The appropriate market-participant level;
 2. The required rate of return; and
 3. The working capital charge and an explanation as to how it is calculated for each projected period.
 - Land:**
 1. The appropriate market-participant level of land and its associated fair value;
 2. The required rate of return; and
 3. The land charge and an explanation as to how it is calculated for each projected period.
 - Fixed assets (not including land):**
 1. The appropriate market-participant level of fixed assets and the economic life for each fixed asset category;
 2. The required rate of return;
 3. The return on fixed asset charge and an explanation of how it was calculated for each projected period;
 4. The return of fixed asset charge and an explanation of how it was calculated for each projected period (for example, as depreciation, amortization, or in the expense structure of the entity); and
 5. Any practical expedient method used (for example, "smoothed" percentage of revenues).
 - Intangible assets valued using the relief-from-royalty method:**
 1. The appropriate royalty rate; and
 2. An explanation should be provided for instances:
 - When the royalty rate "charge" is different from the royalty rate used to estimate the fair value of the intangible asset such as a trademark or trade name; or
 - When an intangible asset such as a trademark or trade name is not valued but a royalty rate charge is still applied in the valuation analysis.
 - Assembled workforce and other intangible assets:**
 1. The assumptions used to estimate the fair value of the assembled workforce and other intangible assets;
 2. An exhibit showing the calculation of the value of the assembled workforce or other intangible assets;
 3. The required rate of return; and
 4. The intangible asset charge and an explanation as to how it was calculated.
- An explanation if the number of years the contributory asset charges applied is different from the economic life of the asset, and an explanation if the contributory asset charge varies from year to year.

Important: For any other special situations or assets, explain whatever considerations are used and document those considerations. Be aware that these are minimum requirements, so more information may be necessary. In future issues, we will provide other checklists that will go into specifics of the documentation requirements for other methods, inputs, and assets/liabilities.

(Source: This checklist is derived from the document "Application of the Mandatory Performance Framework for the CEIV." The information in this checklist has been summarized and adapted. See the actual document for additional explanation and requirements at ceiv-credential.org).