



TOP 10 NEEDS FOR A BUSINESS VALUATION

As a business owner, you've worked hard to build a livelihood so that your family can prosper and your legacy can endure. Understanding the value of your business provides you with the ability to preserve or grow that value, plan for the future, and be ready for any emergencies that life deals to you. Below are ten examples of why it is important to have an up-to-date business valuation on hand so that you may take advantage of opportunities and make decisions timely:

1. ***Mergers & Acquisitions*** - On Wall Street, 'M&A' is commonplace. On 'Main Street', business deals happen as well, just not as often. When the opportunity arises to merge with a strategic buyer or if another business in your industry goes 'up for sale', you must execute quickly so not to lose out if a competitor strikes first. Once the deal is complete, a 'Purchase Price Allocation' is required for tax purposes.
2. ***Estate and Succession Planning*** - If you are nearing retirement, you must consider estate planning to protect your wealth and setup a succession plan, including gifting strategies to your heirs or employees.
3. ***Sale or Dissolution*** - In the tragic and unexpected event that something happens to you, a recent valuation could help your family plan for the sale or dissolution of your business in a timely and orderly manner.
4. ***Obtain Financing*** - If you are looking to expand your business or construct a new facility, your business valuation may assist potential lenders in making a decision to finance such moves.
5. ***New Partners*** – Before you take on a new partner, you must know the value to determine the buy-in price.
6. ***Buy/Sell Agreements*** - If you already have partners, you should regularly place a value on your business (at least annually) for the purposes of a buy/sell agreement. In the event that one of your partners must leave the business, whether it is by death, disability, or any other reason, this document and the corresponding valuation will be critical to adequately fund insurance policies.
7. ***Adequacy of Life Insurance*** –The value of your closely-held business may be the single largest asset of your individual financial portfolio. Your personal financial planner must have a reliable estimate of value to properly fund your life insurance needs and plan for diversification strategies.
8. ***Divorce Settlements*** - Determine the value of assets and liabilities for arbitration and mediation.
9. ***Partner/Shareholder Disputes*** - Assist attorneys in litigation to calculate economic damages.
10. ***Disruption/Destruction of a Business*** - Determine the value before and after alleged damages so that the value of the insurance claim can be quantified.



TOP 10 NEEDS FOR A BUSINESS VALUATION (Continued)

Whatever its purpose, valuation is a widely used discipline that can play a key role in helping you achieve your financial goals. Business valuation is a complex process requiring broad knowledge of accounting, finance, economics and business, expert application of recognized valuation methodologies, and diligent adherence to professional standards.

When expert valuation services are needed, it is critical to determine the purpose of the valuation and what the practitioner will include in the estimate of value. This determination shapes the choice and application of valuation methods, because different approaches and concepts may be more appropriate for different purposes.

You want an expert whose training and experience enable him or her to apply an appropriate methodology and derive a value that is both reasonable and supportable. You also want someone who has a thorough understanding of the financial and operational aspects of your business.

CPAs bring to the task of valuation: Integrity, Objectivity, Sound Judgment, and Commitment to Quality Service. CPAs that are accredited in business valuation (ABV) combine a sophisticated understanding of accounting, taxation, financial statement analysis and business operations in many different industries with proven competence in valuation. Thanks to those core competencies, ABVs have an advantage when it comes to meeting clients' valuation needs. When you need reliable, impartial advice, give yourself the advantage of working with a CPA/ABV and get valuation services you can bank on.

The Accredited in Business Valuation (ABV) Credential by the American Institute of Certified Public Accountants (AICPA) is granted to qualified CPAs with considerable professional experience in business valuation. The requirements to earn the ABV credential include passing a rigorous exam, demonstrating significant business experience in the area of financial forensics as well as completing a minimum of 75 hours of life-long learning and education activities in the area of valuation. The ABV Credential is granted exclusively to CPAs who are members in good standing of the AICPA which binds them to the AICPA Code of Professional Conduct. CPAs who have earned the ABV Credential must be recertified every three years to maintain their credential.

If our firm can be of any service to you or if you have any questions with respect to business valuation services, please contact John P Sullivan, CPA/ABV, CVA at john@sullivanstrategic.com.