



WELCOME TO VALUE POINT

An easy to understand newsletter on the technical aspects of business valuations

You've probably been exposed to a wide range of information about business valuation, including methods, assumptions, sources of data, rules of thumb and circumstances for a business valuation. BPK&Z, P.A. is proud to publish Value Point, which aims to clarify some of the technical aspects of the valuation process. We always welcome feedback on this tool and ideas to make it even more valuable.

WILL YOUR BUSINESS VALUATION MEET THE NEEDS AND REQUIREMENTS?

When you need a business valuation, you will want to consider the types of business valuations available and the credentials of the person performing the valuation. Just as there are rules and regulations around many aspects of your business, business valuations are no different. Investing in the valuation that meets your needs and follows business valuation standards is always the smart choice. A credentialed analyst will have the knowledge needed to perform the valuation including analyzing the historical financial statements, budgets and forecasts, and the history, ownership, customers, management team, products or services, industry, competitors, economic and regulatory environment, and other factors related to your unique business situation.

Valuation analysts can be recognized by several designations issued by different organizations including the:

- American Institute of Certified Public Accountants (AICPA)
- American Society of Appraisers (ASA)
- National Association of Certified Valuation Analysts (NACVA)
- Institute of Business Appraisers (IBA)

Although all sets of standards are similar, the two most widely known are those developed by the Appraisal Standards Board (Uniform Standards of Professional Appraisal Practice - USPAP) and the AICPA. As an example of business valuation standards, the AICPA Statement on Standards for Valuation Services outlines the process required for member CPAs for preparing a valuation including documentation and reporting.

In its simplest form, a business valuation is an estimate of the value as of a certain date that the future operations will provide to the owners. Choosing the proper valuation approach(es) and method(s) are critical when estimating the correct value of your business. The three commonly used approaches are the income approach, the net

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VALUE-ABLE INFORMATION

The business valuation team at BPK&Z has been busy speaking on business valuation topics:

On September 21, 2011, John Edson presented "What Makes My Company Valuable?" for the Minnesota Construction Association.

In the July 2011 issue of Construction Views, the official publication of the Minnesota Construction Association, John Edson authored the article "Focus on Niche Areas and Reduced Debt for Higher Values."

In the May 2011 issue of Parameters, the official newsletter of the American Council of Engineering Companies – Minnesota chapter, John Edson authored the article "Focus on Cash Flow and Revenues for Higher Values."

To access handouts from these presentations go to:
www.bpkz.com/resources-press.



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asset approach and the market approach (comparable transactions or companies). Depending on the circumstances of the valuation, one or more methods may be appropriate.

Once the value of a business is estimated, it is necessary to present the value and supporting information in a report. The AICPA standards allow different types of reports. Depending on the reason for the business valuation, you can decide to receive a detailed written report (always needed for the IRS), a summary report or an oral report. The work and research done for each is the same; only the level of documentation in the report is different. A summary report may be appropriate for estate and financial planning, setting up a buy/sell agreement, an SBA loan, or a merger or acquisition. An oral report is primarily suitable for planning purposes. If you are dealing with the IRS and there is a valuation issue that lands you in tax court, the report serves as the complete expert testimony. If the valuation isn't for a purpose relative to the IRS, you can consider if an oral or summary report meets your needs.

Business valuation standards are established to make sure the user of the valuation report has the correct amount of information to appropriately understand and use the valuation. Consulting with a credentialed valuation professional ensures you will get what you need when obtaining valuation services.

BPK&Z VALUATION TEAM

If you have a business valuation topic that you have questions about, we invite you to contact one of the BPK&Z business valuation team members. We may even address your topic in a future Value Point issue.



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