

7 Important Reasons Why You May Want or Need a Business Valuation This Year

A common misconception held by many business owners is the belief that they will only want or need a business valuation when it is time to sell their business. However, estimating the selling price of a business is extremely critical under a variety of scenarios which may or may not involve the sale of an ownership interest in a business. Listed below are 7 common situations which require the services of a professional business valuator and an assessment of the selling price of the business.

Marital Dissolution (Divorce)

Your business is typically your largest joint marital asset and the most complex to value. A business valuation will either be court appointed or voluntarily engaged, to facilitate a fair and friendly distribution settlement.

Shareholder and Partnership Buyouts and Disputes

If you or a partner/shareholder decides to leave the business or offer an equity position to someone else then a proper third-party valuation can assist in a faster and smoother transaction.

Commercial or Project Financing

Increasingly local banks and lenders will request an independent market valuation prior to approving a small business loan or credit line. A business valuation is an instrumental tool to include in a loan package when approaching lenders to negotiate your rate and loan terms.

Buy-Sell Agreements

Many buy sell agreements require a business valuation so that your or their ownership will be transferred at fair market value. Agreements between partners or shareholders should be based upon an independent business appraisal rather than a rule of thumb formula which may yield an unrealistic value.

Bankruptcy

Bankruptcy is a legal admission of the inability to of an individual or company's ability to meet or pay their liabilities. Therefore knowing the bankruptcy value of your business and its assets is critical to the restructuring process and is influential to maintaining the confidence of your creditors' committee or trustee.

Personal Financial Management

Your business represents a typical owner's single most valuable asset. Despite this, most business owners have no realistic concept of the true market value. A business valuation empowers you to make informed critical decisions, such as the proper timing to pursue an exit strategy.

Financial and Tax Reporting

Certain financial & tax reporting situations necessitate an independent valuation. When your company offers and issues stock options, or transfers or sells equity interests, a valuation is required to report related compensation expense and the recipients to accurately report income.

For more information please feel free to contact the professionals at CC&C Professional Corporation Chartered Accountant.

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