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Business Valuations

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Appraisal for Business Valuation

For an appraisal method to work it must address the following:

- The **profitability** of the business
- The **tangible assets** of the business
- The presence of **intangible assets**
- The value derived should represent the **market value**
- Have flexibility to allow for the **terms of the sale**
- **Simplicity** - Usable and understandable

Components in a business that have value:

- A functioning business with modest growth
- Skilled employees
- Working equipment
- Adequate usable inventory
- A quality product or service
- A profit
- Collectable receivables
- A broad customer base with no very large customer
- Some new product development capabilities
- A good reputation (name) in the market place
- A clean, adequately sized work area
- A financially sound operation with a good accounting system
- The business located correctly for its market place
- A good base of suppliers

Profit and asset based components:

- Profit based items
 - business profit
 - a functioning business
 - business size - gross sales
 - intangible assets
 - skilled employees
 - a quality product or service
 - a broad customer base - customer list
 - new product development capabilities
 - a good reputation - business name
 - good financial management
- Asset based items
 - inventory
 - patents
 - equipment
 - trademarks
 - receivables
 - real estate
 - contracts

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