



1. Planning

Business owners who wish to grow their businesses internally or externally (by acquisition) need to understand the value drivers of the business in developing growth strategies. Commonly known as a “SWOT” analysis, a business valuation identifies the internal Strengths and Weaknesses, and external Opportunities and Threats that become the basis for future planning. Darrell Arne presents seminars and workshops on Business growth, ownership succession and financing. As a business owner, use the “Exit Plan Self-Assessment” to see where you are in developing a business ownership exit plan.

2. Taxation

A business valuation is required to determine the value of a decedent’s interest in a closely held business. The valuation date is the date of death, or at the alternative valuation date (six months later). Business owners who wish to gift ownership interests in their businesses must determine the value of the interest as of the date of gift. The Estate & Gift Tax Regulations on “Adequate Disclosure of Gifts” defines what must be disclosed with a gift tax return in order to initiate the statute of limitation period. Another area where a business valuation arises is when closely held business interests are donated to a Charitable Remainder Trust. Here, the business valuation supports the charitable deduction by the donor taxpayer.

3. Transactions

The value of a business is a critical part of both the “sell side” and “buy side” of a business transaction. Sellers need to know what price the business will command in the market place, buyers likewise want to know market place prices for potential targets. The tax structure of a transaction plays an important part in pricing the transaction - be it an asset sale, stock sale, recapitalization (e.g. partial sale of stock) or reorganization (e.g. non-taxable merger). Darrell Arne offers seminars describing various tax saving strategies in business transactions.

4. Disputes

A business valuation is often required to assist in settling disputes between the owners of closely held companies. For example, disputes arising out of buy/sell agreements, dissenting shareholder suits, shareholder oppression suits, and personal divorces. Disputes also occur in cases where business valuations are performed for the taxation and transaction reasons cited above. We encourage parties to seek “peaceful” solutions to a dispute. The article titled Alternative Dispute Resolution Opportunities for the CPA speaks to this issue.