The Valuation/Calculation Process

1. Gather Initial Information
    a. Determining the "as of" date the business will be valued (valuation date). Usually, a normal fiscal year end, but a date during the year can work if more information is provided. The importance of this date is that subsequent information cannot usually be considered
    b. Gathering historic financial and operating information as of the valuation date
    c. Gathering fair market value information for all the assets and liabilities, including those not listed on the balance sheet, as of the valuation date
    d. Analyzing the historic financial data for trends and numeric relationships
    e. Questioning the owners about unusual transaction and numerical fluctuations
    f. Questioning the owners about perquisites, non-business transactions, non-operating assets and liabilities, unnecessary expenses and personal expenses
    g. Obtain peer group and benchmark data based on the relevant business code

2. Analyze The Initial Data
    a. Adjusting the assets from book/tax to fair market value
    b. Adjusting the financial data, based on the answers, to determine the true economic income a fair market value buyer of the business would realize in the future, if they were to buy the business.
    c. Comparing both the historic and adjusted financial data to peer group data to determine how the business is performing relative to its peers
    d. Asking follow up questions based on the initial analysis

3. Research Market and Other Data
    a. Obtaining fair market value wages for all owners and related parties involved in the business
    b. Researching market data bases to find similar businesses that have sold.
    c. Researching reasonable rates of return
    d. Researching marketability and control discount data, if applicable

4. Apply Valuation/Calculation Methods and Discounts
    a. Calculate various metrics for the business used in applying the market data (free cash flow, sellers discretionary earnings, earnings multiples, etc.)
    b. Apply the multiples indicated by the market data to the business metrics to develop initial indications of value (multiple methods).
    c. Reconcile any large differences between method results
    d. Perform reasonableness tests
    e. Adjust the initial indications of value for items not usually sold (cash, accounts receivable, accounts payable and non-operating assets) to derive the value of the business equity in assets.
    f. Adjust for entity ownership issues, if any
    g. Appy discounts
    h. Determine the final value

5. Write Report