



9 Reasons Why You May Want or Need a Business Valuation

Many business owners mistakenly believe they only want or need a business valuation when they sell their business. In addition to estimating the selling price of your business, a business valuation is often used to resolve disputes related to estate and gift taxation, divorce litigation, bankruptcy, retirement planning, financial and tax reporting, subchapter S conversions, buy-sell agreements, simple personal financial management and many other business and legal purposes:

- 1 Bankruptcy**
Bankruptcy is a legal admission of the inability of an individual's or company's ability to meet and pay their liabilities. Therefore, knowing the bankruptcy value of your business and its assets is critical to the restructuring process and is influential in maintaining the confidence of your creditors' committee or trustee.
- 2 Estate & Gift Tax**
If you have partnership / LLC interests then the gifting of closely held stock necessitates an independent valuation to provide an objective analysis as to the fair market value of the business at the time of the ownership transition.
- 3 Shareholder and Partnership Buyouts and Disputes**
If you or a shareholder/partner decide to leave the company or offer an equity position to someone else then a proper third-party valuation can assist in a fair and amicable transaction.
- 4 Financial and Tax Reporting**
Certain financial and tax reporting situations necessitate independent valuation services. When your company offers and issues stock options, or transfers equity interests, a valuation is required to report related compensation expense in order to accurately report income.
- 5 Purchase Price Allocation**
A sale or acquisition of a business requires reporting the elements of the purchase price for tax reporting the transaction as well as reporting the activity on financial statements of the acquirer.
- 6 Entity Type Conversions**
If you're planning to convert from "C corp" to "S corp" or "LLC" entity status, you should have a valuation done as of the conversion date to determine the tax calculation for the IRS. If your company is sold prior to the ten-year holding period, there is a tax due on the built-in gain of value from the date of conversion.
- 7 Commercial or Project Financing**
Increasingly, local banks and lenders are requesting independent valuation prior to approving a small business loan or credit line. A business valuation is an analytical tool to include in a loan package when approaching lenders to negotiate your rate and loan terms.
- 8 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 an amenable and fair distribution settlement.
- 9 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 value of their business. A business valuation empowers you to make informed critical decisions such as proper timing to pursue an exit strategy.

If you are planning for or suddenly find yourself in one or more of these situations, please contact us for a free confidential discussion to see if a business valuation is needed or required.

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