

# BUYING OR SELLING A BUSINESS: WHY USE A FORENSIC ACCOUNTANT FOR A VALUATION?



Accurate supporting documentation is essential to creating a transparent picture of the business' true value.

Over 50% of all business owners who attempt to sell their business are unsuccessful. This can be due to various reasons including failure to obtain a proper market value on the business, provide supporting evidence for proof and negotiations, or see the process through completion with daunting paper work and proper filings. Working with an experienced forensic CPA will add value and help to provide structure to the process, thus allowing for the best possible outcomes for both the buyer and the seller.

Buying or selling a business requires a sustained effort and a lot of due diligence. The decision to do either should not be taken lightly, nor should you try to go it alone. Paperwork aside, the challenge is to present a reputable offer or alternatively to sell at the best price and in a timely fashion. The only viable way to arrive at this point is to ensure that a business is accurately and thoroughly evaluated. This may include gaining a deeper understanding of what supports the numbers on a company's balance sheet, stocks, and any outstanding debt.

If you're looking for a valuation expert, consider a forensic CPA. These professionals play a key role in objectively examining all the facts and evidence to arrive at a fair and reasonable economic valuation of a company. Not only will this help in providing you with an understanding of what to expect during the process, but it will also help to ensure that you are following proper IRS guidelines throughout the transaction.



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## Business Valuations Run Deep with Complexities

In today's fast-paced world, a business valuation requires more specific scientific processes to achieve a truly reliable result – and this is exactly where forensic accounting comes into play. Armed with a thorough understanding of a range of accounting principles, they carefully select and apply the appropriate methodology to evaluate and analyze the financial complexities of a company.

### A forensic accountant's role in business valuation may involve:

- Shareholder disputes
- Divorce proceedings
- Alternative asset valuations
- Business sale negotiations

In each of these situations, there needs to be a mutual agreement of what the business is worth. With each party looking out for their own interests and attempting to optimize their financial situation, they will often dispute the figures and proposed worth. Thus, having all the correct supporting documents and evidence at your fingertips in one place is essential to creating a transparent picture of the business' true value.

In addition to obtaining a thorough understanding of the business, forensic accountants research current industry trends and economic conditions surrounding the company's environment to consider how this affects the valuation. After an exhaustive investigation, unbiased evidence and a professional opinion are presented to the parties involved. Forensic accountants then act as fact-based mediators to facilitate a smooth negotiation process and achieve a timely resolution.

## Adding Value to a Professional Advisory Team

A business valuation is not a simple, straight-forward process. It often requires multiple types of professional advisors including an attorney, insurance advisor, accountant and possibly a real estate agent. You may be wondering what the benefit might be of including a forensic accountant on your team. Throughout the valuation process, conflicting details will inevitably arise when reviewing financial statements and business documents.

Leaving no stone unturned, a forensic CPA will explore all digital and paper trails over the course of their investigation and are trained to detect and question financial irregularities that other evaluators may overlook. Services generally include providing a due-diligence report, which is produced from comprehensive research of company operations, accounts, inventory, financial contracts, and any outstanding legal matters. A final report will provide an objective figure of the business' value, which is an especially important part of the process for the potential buyer because it creates transparency by exposing any financial risks associated with the business.

## In Summary

Buying or selling a business is a significant endeavor that requires a trusted professional advisor to undertake the huge task of valuing the company in question. Certified forensic accountants apply sophisticated economic techniques in creating an honest and accurate picture of a company's worth. At Neumeister & Associates, our commitment to integrity allows a smoother and more efficient process to occur. If you're ready to start the conversation, connect with us today!

## References

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