

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

There are standards that guide the professional appraiser, such as the Statement on Standards for Valuation Services (SSVS) published by the AICPA and the Uniform Standards of Professional Appraisal Practice published by the American Society of Appraisers. However, there is also a good bit of discretion involved in developing business valuations, requiring the appraiser to apply professional judgment throughout the process.

Mar. 07, 2014

The practice of conducting a [business valuation](#) is a mix between art and science. There are standards that guide the professional appraiser, such as the [Statement on Standards for Valuation Services \(SSVS\)](#) published by the AICPA and the [Uniform Standards of Professional Appraisal Practice](#) published by the American Society of Appraisers. However, there is also a good bit of discretion involved in developing business valuations, requiring the appraiser to apply professional judgment throughout the process.

There are numerous reasons for a company, partnership, or institution to seek a valuation. These may include annual assessments of an Employee Stock Ownership Plan ("ESOP"), shareholder disputes, divorce litigation, estate planning, the purchase or sale of a business, fairness opinions, financial reporting and purchase price allocations.

There are three approaches that a business valuation professional should consider during a valuation engagement. In conducting your valuation, it is important to consider elements from each approach. Utilizing a software solution such as [Pinpoint](#) is of great benefit here, because once financial data are input and adjusted they can be used in each approach without reentry.

The three approaches are known as the Income Approach, the Market Approach, and

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

retirement. As this happens, there will be an increasing demand for advisors to help them sell their businesses or develop a succession plan. These activities will require a capable advisor.

Business valuation is no easy task, and can be a very subjective process. Valuation analysts must use professional judgment and discretion throughout to reach a final value. Because of this, financial professionals can benefit greatly from valuation software that can provide consistent, justifiable, and replicable calculations. This leaves the analyst free to spend the majority of their time on the art rather than the science of business valuations, drawing from multiple approaches to come up with an accurate and defensible final calculus.

---

Thomas Bryant is a consultant at [Sageworks](#) where he oversees training and customer support for the commercial grade business valuation software Sageworks PinPoint. Thomas received his degree in Economics from the University of North Carolina at Chapel Hill.

AICPA • Firm Management

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved