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the value of the subject company.

Isaac M. O'Bannon • Jul. 01, 2014



When lawsuits involving business valuation arise, both sides usually hire a valuation expert. Not surprisingly, the two opposing experts offer very disparate opinions as to the value of the subject company.

According to tax, consulting and business valuation firm [Gettry Marcus CPA, P.C.](#), sometimes this is the result of legitimate differences in the analysis, perhaps in expectations of future revenues, profits, capital expenditures, or other financial

statement items. These differences are easily identified and can often be understood,

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expert is using much lower gross profit margins, this difference in assumption and its impact in value are usually easy to quantify. It may be more difficult, especially if the subject company has a short or an erratic track record, for the trier of fact to determine which assumption is more realistic, but at least the issue can be identified and discussed. The underlying cause may be an honest difference in interpreting the company's prospects, or it may be due to an attempt by one of the valuers to bias the result.

There are times when a biased business valuator's report is difficult to spot. An attempt to intentionally drive the value in the desired direction may be disguised in several areas of the analysis. These may include, for example, the development of the discount rate in the Income Approach, or the comparable transactions selected in the Market Approach. The choice of “normalizing adjustments” for excess salaries, self-dealing transactions, owners' perks paid by the business, etc., and the amounts of these adjustments also impact value. Such manipulations in these areas could have a significant impact on value individually. Alternatively, a series of small such manipulations could cumulatively result in a large change in value. These are harder to discover.

The expert's valuation report should include sufficient detail to explain all such adjustments. The report should describe why the adjustment is necessary, as well as the amount of the adjustment. This should be backed up by empirical data tailored, as much as is practicable, to the specific circumstances of the subject company.

For example, an adjustment for owners' salaries can be based on data from the U.S. Department of Labor, which is a nationwide average of salaries for all companies in a particular industry. Or, the adjustment could be based on surveys of companies in the same industry and size as the subject, adjusted for the subject company's geographic location.

Both amounts are derived from published empirical data, however, the Department

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