Many business owners believe the value of their business is net profit, or gross sales, multiplied by an industry rule of thumb. This is simply not the case. In fact, the application of an industry rule of thumb formula often results in a value determination that differs greatly from the actual value that could be determined by a CVA.

How Can a Certified Valuation Analyst Help You?

**Accurate Value Determination**

The result of an inaccurate value determination, regardless of whether it is high or low, generally leads to undesirable consequences. For instance, if the value is too high, estate taxes will be too high; savvy investors or prospective buyers will usually disregard a value that appears too high. If the value is too low, you can be sure savvy investors or prospective buyers will recognize it and take advantage. Likewise, if you are on the other side of the dispute in a dissenting shareholder action or divorce, you certainly want to know you are receiving an accurate value for your interest.

**Careful Analysis**

Determining the true value of a business enterprise requires a careful analysis of two primary components that make up value: tangible assets such as real estate, machinery, and furniture used by the business; and various intangible assets such as business or personal goodwill. Intangible assets might also include customer lists, trademarks, copyrights, distribution rights, a superior management team, non-compete agreements, physical location, special processes, and name recognition.

**Understanding the Business**

To properly value a business enterprise, the CVA must acquire a thorough understanding of every aspect of a company’s dynamics, including: management capabilities, company strengths, weaknesses and vulnerabilities, the competitive environment, overall expectations for the marketplace, and future economic prospects for the industry and the economy in the region and as a whole. All of these elements affect the risk of ownership in a particular enterprise, and risk directly impacts value. Additionally, the valuator must analyze the inherent financial health of the enterprise and its future profit potential.

**Sorting Through a Complex Process**

After a thorough analysis of all the company’s dynamics and its financial health, the CVA must select the most appropriate methodology from among the many accepted by the valuation industry, and apply a series of calculations and formulas to arrive at the ultimate conclusion of value. Overall, the process is highly complex and requires a significant amount of time. Indeed, this is what is required to determine the true economic value of a privately owned business enterprise, and this is what a CVA brings to your table.
The National Association of Certified Valuators and Analysts® (NACVA®) trains and certifies holders of the Certified Valuation Analyst® (CVA®) designation to perform business valuations as a service to the business, professional, and legal communities. Through training and rigorous testing, CVAs demonstrate they are qualified to provide capable and professionally executed valuation services. NACVA recommends specific training as a prerequisite to certification to assure that credentialed practitioners have the knowledge and understanding necessary to perform competent services, and to assure a level of consistency and continuity in their work product. Users of a credentialed practitioner’s services benefit by having greater confidence that the service they receive is professional in quality, adheres to industry standards of practice, and meets a level of expertise the Association deems credible and worthy of one of its certified members.

Compliance with Recertification
To further its service to the business valuation industry, NACVA seeks assurances from its certified members that they are staying current on matters and issues that lead to, and promote, quality in their work. To effect these assurances, NACVA has in place periodic recertification requirements which require: training on current developments in the valuation field; and skills development by taking continuing professional education in business valuation, litigation financial forensics, and areas related to these disciplines.

Through compliance with recertification, certified members demonstrate their commitment to the business valuation discipline and to keeping themselves current on the changing dynamics in the industry, which impacts the performance and quality of their services.