

Vested Interests

We carried out an assignment recently for a lady named Jean who had created a unique business. The business had a number of outlets that were “informally franchised.” The valuation of this business took a little more thought than normal because of the potential of selling the franchises. In effect, the business was really a franchising business, not the service business it appeared to be.

We valued Jean’s business at about \$1.2 million. After making our presentation and giving her the Comprehensive Business Analysis report, we received a memo from her asking us to explain why the accountant didn’t agree. Attached to Jean’s memo was a four-page dissertation by the accountant explaining to her why our valuation was way out in left field.

He stated that the business wasn’t worth more than \$500,000 or \$600,000.

We put a senior analyst on it to review the work of the original team. He came back to us agreeing with the original value we had put on the business.

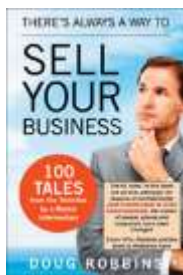
We met with Jean and explained why our valuation was solid and we weren’t prepared to change it, regardless of what the accountant thought.

About three months later we learned the accountant was trying to buy the business for himself.

The best type of accountant to have is what I call a forward-thinking businessperson’s accountant. This kind of accountant doesn’t just prepare financial statements to tell you how well or how poorly you did in the past.

He or she takes the time to make sure the client is looking forward in their business, based on their past.

Forward-thinking accountants generally prepare a ratio analysis; rolling average sales graphs; and a comparison of your results to those of your peers. These accountants will help you with budgeting and forecasting. They will ask some pretty tough questions to make sure you’ve thought about some of the things you ought to think about in operating your business.



This story is from Chapter 7 of Doug Robbins’ book “**There’s Always a Way to Sell Your Business**”

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