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# **Learn Valuation Modeling**

## How to Price a Business Using Business Valuation Techniques

### **BRAIN TRAINING GAMES**

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Spatial Reasoning Problem Solving Fluid Intelligence Stress Reaction Time When selling your business, or any business for that matter, the primary question should be focused on the value of the business. Business valuation techniques can range in complexity from a simple calculation that gives you ballpark figure to one that evaluates tangible and intangible factors to produce a more in-depth result.

▶ Play Games



Unfortunately, there is no standard business valuation formula that will

work for all business types and circumstances. And, there is no generally approved 'right way' to arrive at an accurate business valuation. Accountants may view the figures one way while business brokers will evaluate based on a wider set of criteria. The difference is that accountants focus primarily on the books, while a good NJ business brokers will conduct in-depth research and use that data as a context in which to examine the numbers.

For example, a common **business valuation technique** includes calculating the setup and entry cost of a new business. Factors like promotion, hiring and hard goods have to be forecast, along with the cost of competitive entry into an established market. Depending on how steep the competition is, the cost to build a new brand can be quite high.

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#### Common business valuation techniques include:

- Market-based valuations: frequently used by brokers, these and are based valuations are based on broker experiences selling similar entities. The broker may suggest a price based on the sale prices of other businesses in the same, industry. While not a terribly accurate business valuation method to it is common for the sale of smaller businesses.
- Earnings-based valuation: here a business broker will consider hitstorical
  financial figures, debt payments, cash flows past, present, and projected, and
  revenue. These valuations are often combined with asset-based valuations to arrive
  at a more accurate figure.



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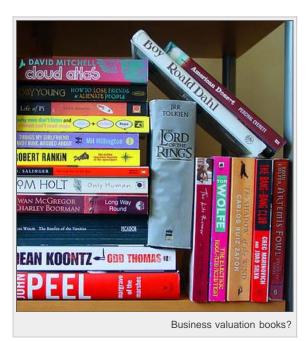
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Asset-based valuations: address figures like the book value and liquidation.
 Brokers consider these to be the bare minimum values and are not generally used singularly.

Determining a value for fixed and intangible assets is an essential step that has an enormous margin for error left in unqualified hands. to perform a business appraisal valuation to help determine how to price a business. The business valuation technique of estimating the value of fixed assets is fairly straightforward.

ManyNew Jersey area business brokers will do this for you, but you can get a general idea by doing it yourself. The estimate should be based on the real market value of all physical assets in the sale.



Fixed assets include items like stock, machinery, property and any other tangible 'object'

When dealing with intangible assets it's time to call in an expert business broker. Trying to evaluate concepts like reputation, customer loyalty, or your customer base can lead to wildly inaccurate numbers that will cause disastrous business valuation results and unhappy parties on both ends of the business deal. Only a qualified business

broker skilled with business valuation techniques can help you accurately quantify the true value of your intangibles.

Many business brokerage firms will provide a free approximate estimate for small business values. NJ based firm like A Neumann & Associates have been in business for many years and can offer qualified free valuation reports.

#### Other key considerations to address when evaluating a business include:

- health of the industry the business is in
- economic climate of the industry
- availability of loans
- cash flow

There is no one-size-fits-all business valuation technique. There are experts who use a combination of many calculations and years of experience. Only trained, credited and most of - experienced brokers are qualified to perform accurate, certified business valuation technique.

• Precedent Transactions Valuation

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